

***Government that Works!***

**NEW JERSEY DEPARTMENT OF THE TREASURY**

**LOCAL GOVERNMENT BUDGET REVIEW**

**TOWNSHIP OF LOWER**

**DONALD T. DiFRANCESCO**  
*Acting Governor*

**PETER R. LAWRENCE**  
*Acting State Treasurer*

**DECEMBER, 2001**



## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE** *The Report of the Township of Lower*

New Jerseyans deserve the best government their tax dollars can provide. Efficiency in government and a common sense approach to the way government does business, both at the state and at the local level, are important to Acting Governor Donald T. DiFrancesco. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. The Local Government Budget Review (LGBR) program was created in 1994 by former Governor Whitman, marking the first time the state worked as closely with towns to examine what is behind those costs. The Local Government Budget Review (LGBR) program's mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service provided by the state at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates which place burdens on local governments without value-added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, the program was expanded, tripling the number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

## **THE REVIEW PROCESS**

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and agree to an open public presentation and discussion of the review team's findings and recommendations.

As part of each review, team members interview each elected official, as well as employees, appointees, members of the public, contractors and any other appropriate individuals. The review teams examine current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code, independent reports and recommendations previously developed for the governmental entities, and other relative information. The review team physically visits and observes the work procedures and operations throughout the governmental entity to observe employees in the performance of their duties.

In general, the review team received full cooperation and assistance of all employees and elected officials. That cooperation and assistance was testament to the willingness, on the part of most, to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the municipality, but do represent the cost of the entity's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the entity an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective bargaining process. We believe, however, that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW  
EXECUTIVE SUMMARY  
TOWNSHIP OF LOWER**

**Clerk**

The team recommends that the township dissolve their Board of Health Department and assign all related duties to the Cape May County Department of Health, saving \$5,675 - \$7,300.

By increasing their liquor license fees, the township could yield a revenue enhancement of \$109,215 over seven years.

**Finance**

By identifying a certified purchasing agent in the finance office and with a realignment of job duties, the township could eliminate one clerical position, saving \$32,000.

The team recommends that the township eliminate their armored car service, saving \$3,500.

**Cash Management**

The township should consider renegotiating a more competitive interest rate with their bank on all of their accounts, yielding a revenue enhancement of \$23,000 - \$52,000.

**Personnel**

The team recommends that the township terminate insurance coverage for part-time employees, saving \$24,410.

**Court**

The township should consider utilizing the “fax complaints policy,” reducing the amount of time spent responding to calls, saving \$2,000.

By negotiating a more competitive interest rate on their year-to-date earnings, the township could yield a revenue enhancement of \$680 - \$940.

By using the state CEP program, the township could recover an estimated \$33,000 in delinquent time payments.

The team recommends that the township eliminate the armored car service, saving \$1,000.

**Police**

The team recommends that the township eliminate the lieutenant position providing logistical support to the department to save \$75,000.

By implementing the recommended schedule, the township could potentially save \$76,237.

**Facilities**

The team recommends that the township engage the services of a professional architectural or space-planning firm to develop a long-term facility plan at a one-time expense of \$20,000.

**Public Works**

The township should consider eliminating overtime compensation for administrative staff and management, saving \$12,447.

The team recommends that the township eliminate one clerk typist position, saving \$30,000.

By implementing the outlined recommendations, the township would reduce loss time, yielding a productivity enhancement of \$68,890.

The team recommends that all vehicle maintenance be performed in one central facility at the public works garage, saving \$100,000.

The township should consider revising employees' schedules to coincide with scheduled weekend maintenance, reducing overtime and saving \$5,000.

The team recommends that the township prepare detailed specifications for solid waste collection and solicit sealed bids, saving \$197,928.

By outsourcing its trash collection service, the township could yield a one-time revenue enhancement of \$200,000 from the sale of equipment.

The team also recommends that the township seek reimbursement from the public school system for the collection service provided, yielding a revenue enhancement of \$42,744.

The team recommends that the township prepare detailed specifications for the collection of household recycling and solicit sealed bids, saving \$60,520. The township could yield an additional one-time revenue enhancement of \$100,000 - \$125,000 by outsourcing this operation.

The township should consider collecting the cost of tipping fees from the campgrounds for solid waste and recycling collection service, yielding a revenue enhancement of \$18,022.

**Recreation**

The team recommends that the township eliminate two full-time groundkeeper employees and hire part-time seasonal workers, saving \$33,326.

**Municipal Utilities Authority**

The team recommends that the township mandate connection to all public water and sewer service, yielding a one-time revenue enhancement of \$259,042 and an annual revenue enhancement of \$51,859.

By negotiating a more competitive interest earnings rate on all checking and savings accounts, the authority could yield a revenue enhancement of \$20,000 - \$25,000.

The authority should also consider investing the trust fund balances in more aggressive investment vehicles, yielding a revenue enhancement of \$50,000.

The team recommends that the authority negotiate working hours with minimal or no increase in hourly compensation, potentially saving \$30,000.

#### *Office Operations*

The team recommends that all functions handled by the authority's office of administration be transferred to the township department of revenue and finance, saving \$110,000.

The team recommends that the authority office supervisor attend meetings, prepare notes and make audio recordings from the proceedings. This would eliminate payments for the clerical employee to attend the meetings, saving \$5,328.

#### *Plant Operations*

The team recommends that the authority eliminate three building maintenance positions, saving \$65,862. The team also recommends that the township solicit an outside private contractor to perform the janitorial/custodial functions at an expense of \$6,000.

The authority should consider negotiating a flexible work schedule that includes Saturday and Sunday as part of the regular workweek to support weekend testing for permit compliance, potentially saving \$13,550.

The team also recommends that the authority negotiate a flexible work schedule that includes Saturday and Sunday as part of the regular workweek for the distribution and collection systems. If the authority is unable to negotiate this provision, it is recommended that the authority consider hiring part-time employees to perform these functions at straight time pay, potentially saving \$13,550.

Transferring the collection and distribution components to the township public works department through formal dissolution of the authority or an interlocal service agreement would eliminate two positions, saving \$100,375.

The team recommends that the authority negotiate an interlocal service agreement with the township for vehicle maintenance and repairs, yielding a productivity enhancement of \$20,000.

The authority should consider developing and implementing policies to limit sick leave abuse. By requiring proof of illness after three consecutive days or six cumulative days, the authority could yield a potential productivity enhancement of \$16,877.

**Collective Bargaining Agreements**

The team recommends that the township negotiate to reduce the number of personal days from its present levels to three, for a potential productivity enhancement of \$28,084.

The team also recommends that the township negotiate a dollar cap on the amount of terminal payments, potentially saving \$50,000 - \$100,000.

**COMPARISON OF BUDGET APPROPRIATION, STATE AID  
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN  
LOWER TOWNSHIP**

<b><u>Areas Involving Monetary Savings</u></b>	<b><u>One-time Savings/ Expense</u></b>	<b><u>Annual Savings/ Expense</u></b>	<b><u>*Potential Savings</u></b>	<b><u>Totals</u></b>
<b>Clerk</b>				
Dissolve Board of Health Department and assign duties to Cape May County		\$5,675		
Increase liquor license fees over seven years yielding a revenue enhancement		\$15,602		
				<b>\$21,277</b>
<b>Finance</b>				
Eliminate one clerical position by conducting a realignment of job duties		\$32,000		
Eliminate armored car service		\$3,500		
				<b>\$35,500</b>
<b>Cash Management</b>				
Negotiate a more competitive interest rate for all bank accounts		\$23,000		
				<b>\$23,000</b>
<b>Personnel</b>				
Terminate insurance coverage for part-time employees		\$24,410		
				<b>\$24,410</b>
<b>Court</b>				
Utilize "fax complaints policy" reducing amount of time spent on calls		\$2,000		
Negotiate a more competitive interest rate on year-to-date earnings		\$680		
Utilize state CEP program to recover delinquent time payments		\$33,000		
Eliminate armored car service		\$1,000		
				<b>\$36,680</b>
<b>Police</b>				
Eliminate lieutenant position for logistical support and use civilian employee		\$75,000		
Implement recommended schedule outlined in report			\$76,237	
				<b>\$75,000</b>
<b>Facilities</b>				
Develop long-term facility plan	(\$20,000)			
				<b>(\$20,000)</b>
<b>Public Works</b>				
Eliminate overtime compensation for administrative staff and management		\$12,447		
Eliminate one clerk typist position		\$30,000		
Implement outline recommendations to reduce loss time		\$68,890		
Perform vehicle maintenance in one central facility at the DPW garage		\$100,000		
Revise employee schedules to coincide with weekend maintenance		\$5,000		
Prepare specifications for solid waste collection and solicit sealed bids		\$197,928		
Outsource trash collection service	\$200,000			
Seek reimbursement from the public school system for collection service		\$42,744		

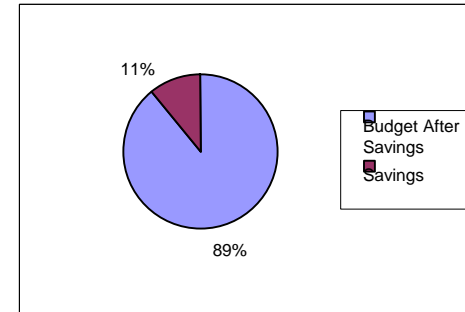
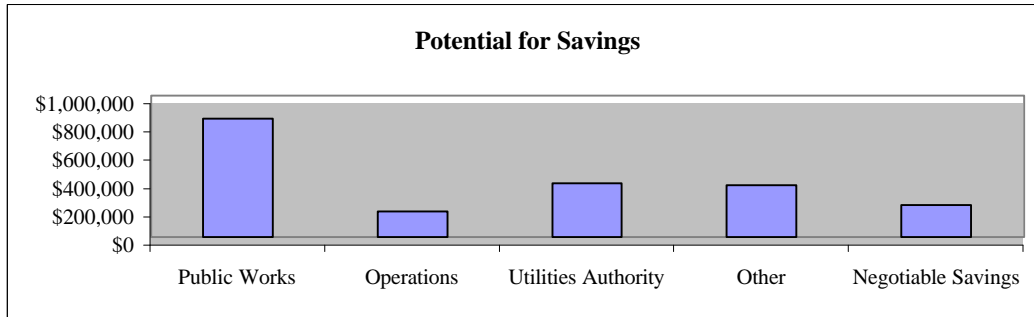


**COMPARISON OF BUDGET APPROPRIATION, STATE AID  
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN  
LOWER TOWNSHIP**

<b><u>Areas Involving Monetary Savings</u></b>	<b><u>One-time Savings/ Expense</u></b>	<b><u>Annual Savings/ Expense</u></b>	<b><u>*Potential Savings</u></b>	<b><u>Totals</u></b>
Prepare specifications for collection of household recycling		\$60,520		
Outsource this operation to yield an additional revenue enhancement	\$100,000			
Collect cost of tipping fees from campgrounds for collection services		\$18,022		
				<b>\$835,551</b>
<b>Recreation</b>				
Eliminate two full-time groundkeepers and hire part-time seasonal workers.		\$33,326		
				<b>\$33,326</b>
<b>Municipal Utilities Authority</b>				
Mandate connection to all public water and sewer service	\$259,042	\$51,859		
Negotiate a more competitive interest rate on all checking & savings accounts		\$20,000		
Invest trust fund balances in more aggressive investment vehicles		\$50,000		
Negotiate working hours with minimal or no increase in hourly compensation			\$30,000	
				<b>\$380,901</b>
<i>Office Operations</i>				
Transfer office of administration functions to township revenue & finance dept.		\$110,000		
Eliminate payments for clerical employees to attend meetings		\$5,328		
				<b>\$115,328</b>
<i>Plant Operations</i>				
Eliminate three building maintenance positions		\$65,862		
Solicit an outside, private contractor to perform janitorial/custodial functions		(\$6,000)		
Negotiate a flexible work schedule for weekend testing of permit compliance			\$13,550	
Negotiate a flexible work schedule or hire part-time employees for collection			\$13,550	
Transfer collection & distribution components to township DPW		\$100,375		
Negotiate interlocal service agreement with township for vehicle maintenance		\$20,000		
Develop and implement policy to limit sick leave abuse			\$16,877	
				<b>\$180,237</b>
<b>Collective Bargaining Agreements</b>				
Negotiate to reduce the number of personal days			\$28,084	
Negotiate a dollar cap on the amount of terminal payments			\$50,000	
<b>Total Recommended Savings</b>	<b>\$539,042</b>	<b>\$1,202,168</b>	<b>\$228,298</b>	<b>\$1,741,210</b>
*\$228,298 not included in savings of \$1,741,210				
<b>Total Amount Raised for Municipal Tax</b>				<b>\$10,369,248</b>
<b>Savings as a % of Local Purpose Tax Levy</b>				<b>17%</b>

**COMPARISON OF BUDGET APPROPRIATION, STATE AID  
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN  
LOWER TOWNSHIP**

<u>Areas Involving Monetary Savings</u>	<u>One-time Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
<b>Total Budget</b>				<b>\$16,096,973</b>
<b>Savings as a % of Budget</b>				<b>11%</b>
<b>Total State Aid</b>				<b>\$1,888,100</b>
<b>Savings as a % of State Aid</b>				<b>92%</b>



## TABLE OF CONTENTS

Preface – Government That Works/Opportunities for Change  
The Review Process  
Executive Summary  
Comparison of Cost/Tax Rate with Recommended Savings

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>COMMUNITY OVERVIEW .....</b>	<b>1</b>
<b>I. BEST PRACTICES.....</b>	<b>2</b>
<b>II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS .....</b>	<b>3</b>
<b>A. TOWNSHIP OF LOWER.....</b>	<b>3</b>
CLERK .....	4
FINANCE .....	8
CASH MANAGEMENT .....	13
PERSONNEL .....	15
HEALTH INSURANCE.....	17
INSURANCE.....	18
TAX COLLECTOR.....	20
TAX ASSESSOR.....	23
COURT .....	27
PUBLIC DEFENDER .....	31
PROSECUTOR.....	31
POLICE.....	32
FACILITIES .....	43
PUBLIC WORKS .....	45
RECREATION .....	63
<b>B. MUNICIPAL UTILITIES AUTHORITY .....</b>	<b>67</b>
OFFICE OPERATIONS .....	76
PROFESSIONAL SERVICES .....	78
PLANT OPERATIONS.....	80
CONSOLIDATION OF SERVICES .....	87
<b>III. TOWNSHIP COLLECTIVE BARGAINING ISSUES.....</b>	<b>88</b>
<b>IV. SHARED SERVICES .....</b>	<b>93</b>

## **COMMUNITY OVERVIEW**

The Township of Lower is located at the southern end of the Cape May peninsula. The 27.8 square-mile township borders both the Atlantic Ocean and Delaware Bay. Portions of the township are situated across the Cape May Canal and the southern end of the Barrier Island containing the Wildwoods. The Garden State Parkway and Route 9 provide major road access to the area.

The township has a large seasonal population, as well as a high concentration of permanent suburban residents. The population for the township was estimated at 21,914 in 1998. During the summer season, the township experiences a major influx of visitors resulting in major increases in traffic volumes and occupancy of township campgrounds and resort lodging.

The township is primarily residential with minimal commercial and industrial development. Due to wetlands and other environmental restrictions, the amount of developable vacant property in the township is rapidly diminishing. Older residential neighborhoods have been the focus of major rehabilitation and property maintenance efforts by the township. The township has also recently made major investments in its facilities and road infrastructure.

Several governmental agencies provide services in the township. A county library branch is located in the municipal complex. A municipal utility authority provides water and sewer services. Three separate fire districts provide fire services for the township. Educational services are provided by local and regional school districts.

## **I. BEST PRACTICES**

A very important part of the Local Government Budget Review report is the best practices section. During the course of every review, each review team identifies procedures, programs and practices which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense on their own.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every cost-effective effort. The following are those best practices recognized for cost and/or service delivery effectiveness.

### **Police Patrol Operations**

The team's review of police patrol operations indicated an average consumed time of 19.73 minutes per call. This is the actual time a patrol officer consumes from the receipt of a call for service until completion. This consumed time is the lowest encountered by LGBR in its reviews of comparable communities. Call for service consumed time is a key indicator of productivity and has a direct impact on staffing levels for patrol operations. The team's review of police management practices found a very appropriate use of technology, highly effective court liaison activities and a good work ethic among patrol officers.

### **Road Program**

The township created a division in public works to construct roads. While normally an outsourced function in municipal government, the team found the township's cost factors to be highly competitive with contracted road projects. Additionally, the team found that the township had implemented financial management controls to ensure that capital and operating functions performed by the road crew are properly recorded and charged to the appropriate budget. The road construction crew has been in operation for several years and its increasing experience and expertise has resulted in a very high level of quality work.

### **Survey Program**

The police department has instituted a citizen survey program to evaluate the public's level of satisfaction with its services. The department randomly selects respondents from calls for service, traffic stops and arrest records. The questionnaires cover the entire scope of police interactions with the public, ranging from the initial receipt of the call by dispatchers to the officer's actions with the respondent. Deficiencies are effectively followed up with counseling to employees and explanations to the public regarding police procedures. Results from the survey indicate a high level of satisfaction with police services. The department is commended for its commitment to customer service and courage in inviting comment from the public.

## **II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS**

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the municipality and its taxpayers.

In its study, the review team found that the municipality makes a conscious effort to control costs and to explore areas of cost-saving efficiencies in its operations. Many of these are identified in the best practices section of this report. Others will be noted, as appropriate, in the findings to follow. The municipality is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control, and revenue enhancement.

One of the fundamental components of the team's analysis is identifying the true cost of a service. To this end, the team prepares a payroll analysis that summarizes personnel costs by function and attributes direct benefit costs to the salary of each individual. This figure will always be different from payroll costs in the budget or in expenditure reports because it includes health benefits, social security, pension, unemployment, and other direct benefit costs.

### **A. TOWNSHIP OF LOWER**

#### **Administration**

The Township of Lower operates under the council-manager form of government. The council is composed of five members with three council members elected on a ward basis. The mayor and the deputy mayor are elected on an at-large basis. All governing body members serve terms of four years. The council usually meets twice a month with work sessions and regular sessions following in succession on the same evening. The council is the legislative body of the township. It has the power to pass ordinances, adopt budgets and set policies. The mayor presides over council meetings and votes in its proceedings.

There are no other employees specifically dedicated to support the governing body. Generally, administrative support is provided to the governing by employees from the clerk and manager's office. In 1999, the township paid \$66,082 in salaries and direct benefits and \$2,204 in other expenses.

The municipal manager is the chief executive officer of the township with power to manage the daily activities of the township. The manager has appointment powers over all township offices, except for those positions specified by statute. Other duties of the manager include budget preparation, contract negotiations and personnel actions. The manager's office consists of two employees, the township manager and an administrative employee. The manager is a 25-year township employee; however, she has been in the manager position for less than a year. In 1999, the township paid \$120,209 for salaries, wages and direct benefits and \$4,813 in other expenses.

### **Mission Statement**

The team's review of the township indicated a strong commitment by the governing body and its staff to provide a full range of services to residents. This commitment is communicated to the employees through a series of very relevant mission statements developed by the township's operating departments. The statements generally consist of a broad mission statement supplemented by more detailed goals for use by subordinate divisions. The township is commended for its very effective communication of organizational goals and priorities.

The team's interviews with municipal staff found a very competent and conscientious workforce. Generally, the departments maintain excellent records regarding attendance, activity reporting and finances. The staff is very cost conscious, as reflected in its purchasing practices and appropriate staffing levels.

## **CLERK**

The municipal clerk serves under authority of N.J.S.A. 40A:9-133. The municipal clerk is the official custodian of all vital municipal records including, but not limited to, the books, deeds, bonds, ordinance book, contracts, legal advertisements, and archival records of the township. During elections, the clerk serves as the chief administrative officer and the registrar of voters. The clerk is the administrative officer for the application and issuing of licenses and permits and provides supervision to the central switchboard operator.

There are no administrative employees specifically assigned to support township council. In the role of secretary to the governing body, the clerk is extensively involved in telephone work, preparing committee meeting agendas, copying documents for distribution, drafting letters to constituents, completing mailings, attending governing body meetings, maintaining recordings and minutes of these meetings, and retaining original copies of ordinances and resolutions.

### **Vital Statistics**

The registrar of vital statistics is assigned to the township clerk's office, although her salary and expenses are charged to the township's board of health department. The township has employed her for the past four years. Marriage licenses, certificates of marriage, certificates of birth, and certificates of death are issued through the clerk's office by the registrar of vital statistics. The township's share of the revenue generated by the registrar's office in 1999 was \$5,981.

The board of health consists of a seven-member board appointed by the township committee for three-year staggered terms. Each board member is paid \$85 per board meeting, not to exceed

\$1,000 per year. The recording secretary of the board of health who is also a board member receives an additional \$25 per meeting. The role of the Lower Township Board of Health Department is very limited in scope. It does not perform sanitation inspections and is essentially advisory in nature. Expenditures for the Lower Township Board of Health Department for 1999 were \$5,675.

The most recent meeting minutes available for our review were from 1998. We reviewed these meeting minutes and found them to be very brief. They did not specify the time the meeting was called to order or the adjournment time; however, it appears as though the meetings are rather brief based on the limited agenda topics.

The Cape May County Department of Health is the agency that handles all health related inspections. They notify the responsible individual of the violation citing the applicable regulation with a deadline for correction.

### **Recommendation:**

**We recommend that Lower Township dissolve their Board of Health Department and assign all health related duties to the Cape May County Department of Health who currently performs all inspections, ensures compliance, and has the authority to take legal action if necessary.**

**Cost Savings: \$5,675 - \$7,300**

### **Organization**

The clerk's office is the point of contact for citizens with inquiries or those wishing to purchase municipal permits or licenses. The office also provides notary services to the public. The office is open from 8:30 a.m. to 4:30 p.m. Monday through Friday. A municipal clerk, an assistant clerk, and one clerical employee staff the township clerk's office. The clerk has served the township for the past 25 years and has been certified since 1984. The assistant clerk, who is also the deputy registrar, is a 23-year employee and is not certified. The clerical employee has recently transferred from another township office and is primarily responsible for operation of the telephone system, processing mail, filing, and assisting with various other duties.

The team observed the clerk's office numerous times and interviewed the clerk, the deputy clerk, the registrar of vital statistics, and the clerical employee. Based on this, we conclude the municipal clerk's office is efficiently and effectively servicing the township.

### **Financial**

In 1999, personnel expenditures for the municipal clerk's office were \$142,500 and \$44,479 for the registrar of vital statistics. This represented actual salary paid to the employees, as well as the cost of medical benefits, payroll taxes and other direct benefits. Other expenses for both the clerk and registrar of vital statistics were approximately \$7,100, which included office and computer supplies, dues, conference expenses and legal advertising fees. Total expenditures for the three annual elections were \$3,318. In addition, there were expenditures in the budget category 'buildings and grounds' for the township clerk's office. These disbursements for equipment maintenance and office and computer supplies totaled \$1,594.



### **Minutes of Municipal Meetings**

The Lower Township Council holds regular meetings on the first and third Monday of every month. The clerk and assistant clerk generally attend all meetings with one typing the meeting minutes and the other proof reading. The team found the minutes to be well maintained, properly bound and easily accessible. Prior meeting minutes were generally available for the governing body's approval at each subsequent meeting. In addition, the clerk's office drafted and prepared 29 ordinances and 245 resolutions in 1999.

### **Codification**

A municipality's adoption of an ordinance is a significant act establishing legal obligations for citizens and businesses. Ordinances also communicate public policy to those affected. It is important that citizens, municipal employees and others having affairs with a municipality have a single resource from which they can easily find all of the laws and policies that the municipality has adopted.

The orderly compilation of these ordinances is called codification and results in the development of a municipal codebook. The codebook is serviceable and must be supplemented with new material. Older sections need to be updated to reflect current practice and the evolution of relevant law. The updating of the Lower Township codebook is an on-going process. The clerk's office administers the updates and distributes the new sections. A total of 20 books are maintained in this fashion.

### **Dog Licensing**

The township clerk's office sells dog licenses, which are due in January. In addition, the clerk's office sponsors a rabies clinic once per year, although, licensing is not available at that time. The clerk's office staff, however, follows up to ensure that the dogs, which were vaccinated at the clinic, are properly licensed. There are approximately 8,285 year-round residential units in the township, according to the assessor's records of primary residential homeowners and the municipal clerk's residential rental units. Consistent with the American Veterinary Medical Association's formula for computing dog populations, a community of this size (8,285 households) should have approximately 3,480 dogs. The number of licensed dogs at the time of our review was 1,774 or 51% of the estimated population.

The clerk's office has provided the police department with a list of all licensed dogs to assist them in identifying unlicensed animals when called to a residence for an animal-related complaint. The clerk's office then follows-up with a letter requesting that the dog be properly licensed. The township clerk's office is aggressively striving to increase the number of licensed dogs in the community to improve the public health and safety of the township.

### **Liquor Licensing**

The township issues liquor licenses under the authority of N.J.S.A. 33 et. seq. as stipulated in Chapter 6 of the Revised General Ordinances of the Township of Lower. The municipal clerk is charged with issuing all annual liquor license renewals, which was 25 in 1999. The township has 18 plenary retail consumption (bar) licenses and two plenary retail distribution (liquor store) licenses. There are also five club licenses. The township code governing liquor licenses was last amended in 1992.

The township charges \$600 for each the liquor store license and \$864 for each bar license. Title 33 allows a municipality to charge up to \$2,000 for every plenary retail consumption or plenary retail distribution license and \$150 for each club license. The township is currently charging the maximum fee for the club licenses. A municipality may increase their liquor license fees by ordinance up to the maximum allowed in the statute at a rate of no more than 20% per year, or \$500, whichever is less (N.J.S.A. 33:1-12 et. seq.). If the township were to systematically increase its fees until they all reached their allowable limit, revenue from the sale of liquor licenses would increase \$99,316 for consumption licenses and \$9,899 for distribution over the next seven years. The charts below track the revenue increases for each year for the current number of licenses. According to the township clerk, an additional license may be available due to increases in the population.

<b>LIQUOR LICENSE FEES – LOWER TWP.</b>				
<b>Plenary Retail Consumption</b>				
<b>Year</b>	<b>Current Fees</b>	<b>Proposed Fees</b>	<b>Revenue Increase</b>	<b>Total Revenue</b>
1	\$864	\$1,037	\$3,110	\$3,110
2	\$864	\$1,244	\$6,842	\$9,953
3	\$864	\$1,493	\$11,322	\$21,275
4	\$864	\$1,792	\$16,697	\$37,972
5	\$864	\$2,000	\$20,448	\$58,420
6	\$864	\$2,000	\$20,448	\$78,868
7	\$864	\$2,000	\$20,448	\$99,316

<b>LIQUOR LICENSE FEES – LOWER TWP.</b>				
<b>Plenary Retail Distribution</b>				
<b>Year</b>	<b>Current Fees</b>	<b>Proposed Fees</b>	<b>Revenue Increase</b>	<b>Total Revenue</b>
1	\$600	\$720	\$240	\$240
2	\$600	\$864	\$528	\$768
3	\$600	\$1,037	\$874	\$1,642
4	\$600	\$1,244	\$1,288	\$2,930
5	\$600	\$1,493	\$1,786	\$4,716
6	\$600	\$1,792	\$2,383	\$7,099
7	\$600	\$2,000	\$2,800	\$9,899

**Recommendation:**

**We recommend that the township increase their liquor license fees to the maximum allowed by law.**

**Revenue Enhancement (over 7 years): \$109,215**

## FINANCE

The township manages its finances in a very prudent manner. From its detailed review, the team concludes that the township uses sound accounting systems and employs a very talented management team in its financial operations. Despite offering a full range of municipal services, statistical data indicates that the township operates in a very cost-effective manner.

To fully analyze the township's financial position, the team compared its ratable base to other communities in the region. Although the township has a significant seasonal population, its financial characteristics are more similar to the largely permanent residential mainland communities rather than the offshore resort communities. Of the 16 municipalities in Cape May County, the township has the third highest equalized aggregate valuation. However, when the valuation on is computed on a per capita basis, it indicates a significant disparity between the mainland and offshore communities in the county:

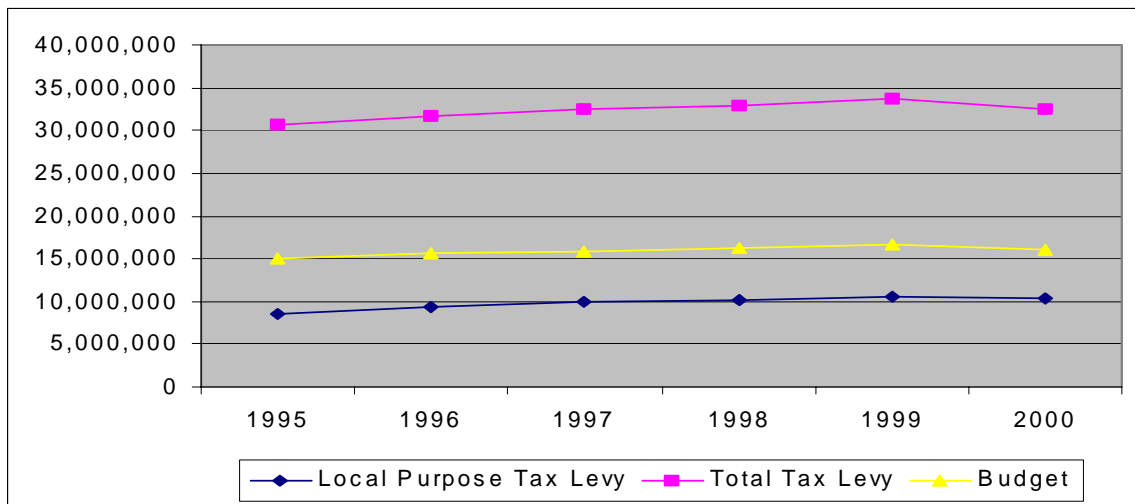
	<b>Equalized Per Capita Valuation</b>	<b>Municipal Budget Per Capita</b>	<b>Equalized General Tax Rate</b>
Avalon	1,032,228	5,716	0.95
Cape May	189,061	1,955	1.49
Cape May Point	694,258	3,858	0.95
Dennis Township	58,189	598	1.74
Lower Township	62,062	717	2.34
Middle Township	52,884	782	2.32
North Wildwood	121,471	2,977	2.52
Ocean City	220,588	2,388	1.70
Sea Isle City	384,359	3,912	1.43
Stone Harbor Borough	1,089,770	7,774	1.04
Upper Township	69,602	700	1.48
West Cape May	105,418	1,315	1.77
West Wildwood Borough	114,190	2,618	1.93
Wildwood City	113,112	3,737	3.20
Wildwood Crest Borough	217,956	3,693	1.93
Woodbine	19,652	540	1.93
<b>Cape May County Average</b>	<b>138,476</b>	<b>2,705</b>	<b>1.80</b>

*Source: 1998 Cape May County Abstract of Ratables and 1997 New Jersey Legislative Data Book.*

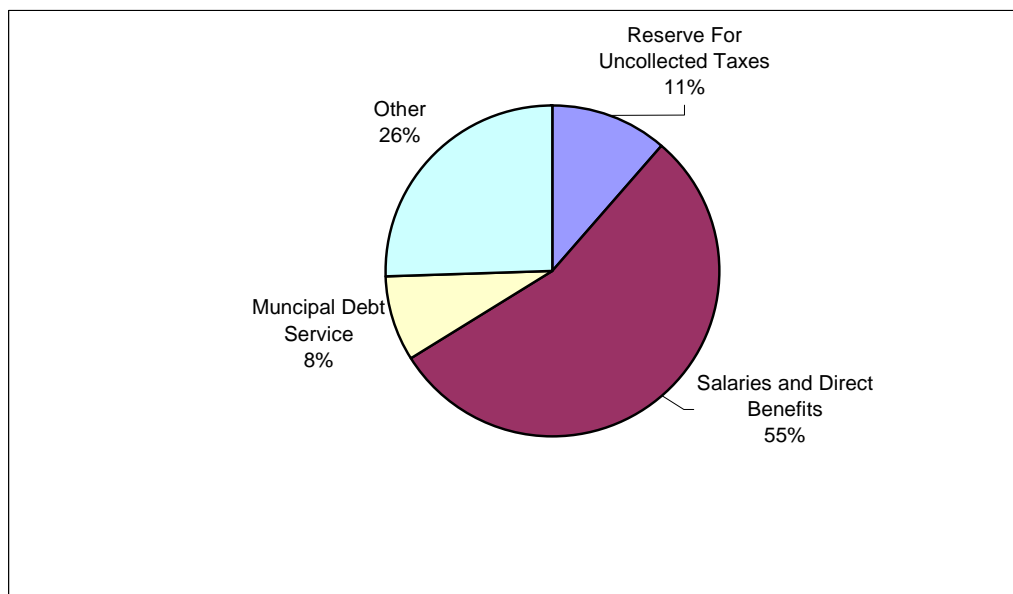
Of particular note, the per capita municipal budget is relatively low despite the large seasonal population areas and the full range of services provided by the township. Offsetting this positive financial information are the low-income levels of the township's population and the relatively small commercial and industrial portions of the township's ratable base.

### **Budget**

The township expenditures have remained relatively stable with minimal changes over the past several years. The township appropriated approximately \$16.096 million in its 2000 budget. From 1995-2000, the municipal budget grew at an annual rate of 1.44%. Correspondingly, the local purpose and general property tax levy also rose at a relatively stable rate of growth during the same period. The table below illustrates the township's changes in budgets and property tax levies:



The composition of the local purpose budget is typical of most communities and reflects the labor-intensive services provided by the township government. The graph below illustrates the use of municipal expenditures for 1999:



## Debt

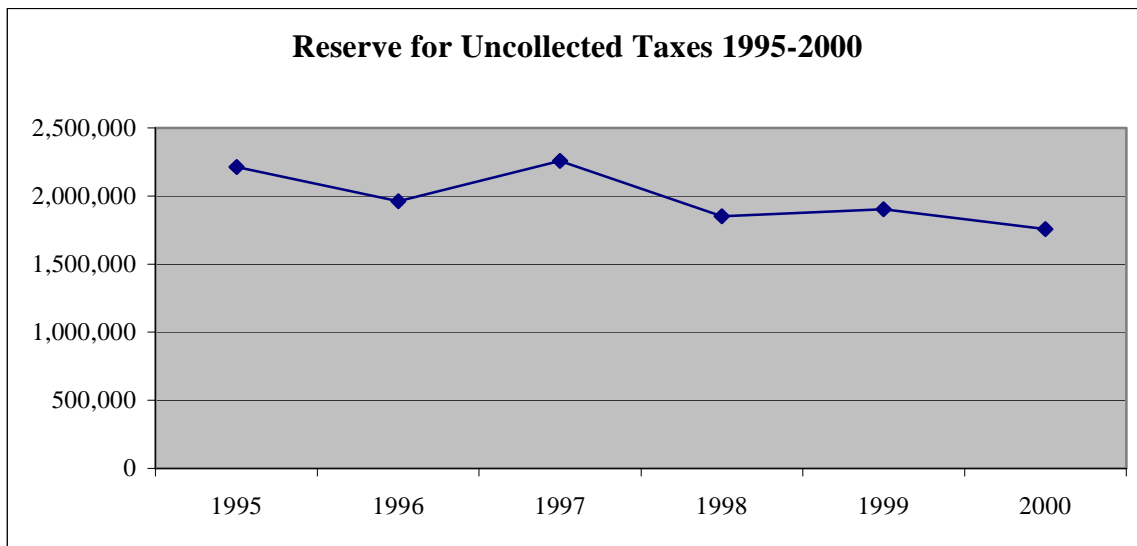
The township maintains ample capacity to fund future capital projects. In 1999, the township had a net debt of \$11,754,770. This amount represents 0.87% of the total ratable bases and is well below the statutory ceiling of 3.5% of the valuation, or \$47,417,266, in potential borrowing. The team's observations of the township's facilities and capital equipment found them to be in generally good condition with appropriate maintenance measures to ensure a standard service life.

A significant portion of the township's recent capital spending has been directed toward improvements in the road system. Rather than bidding the projects, the township has constructed roads internally through a division of its public works department. Personnel costs, materials, and equipment are charged to capital accounts. Due to inclement weather or other public works activities, portions of the road crew's personnel hours that are not used for actual construction are charged to the works operating accounts.

### **Reserve for Uncollected Taxes**

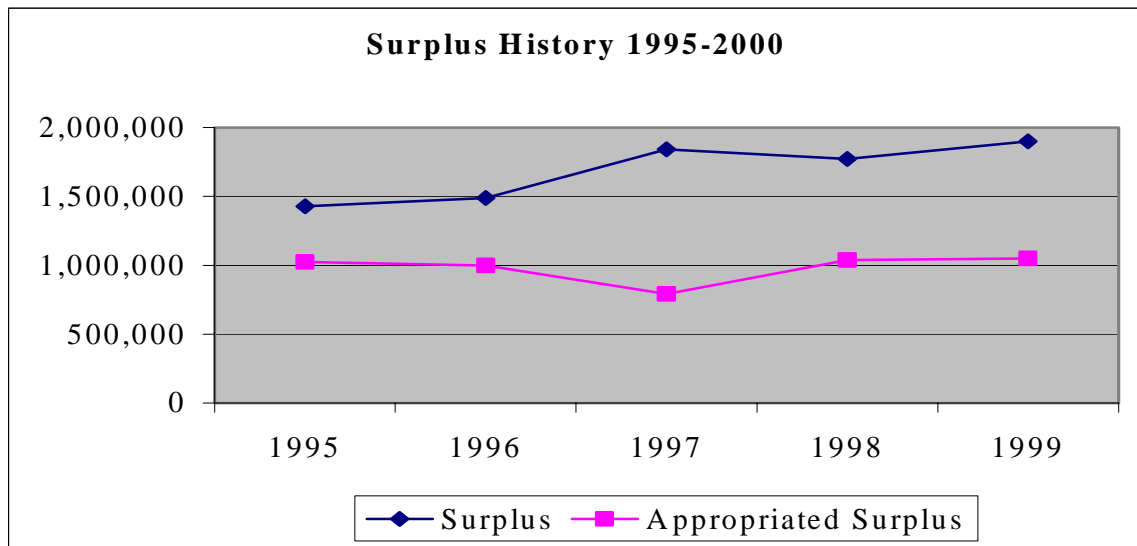
Due to delinquent property tax payers, the reserve for uncollected taxes is a special appropriation to insure that all taxing entities receive sufficient funding. This reserve does not have offsetting expenditures. The township's collection rate and the total tax levy determine the reserve for uncollected taxes. Although it benefits all taxing entities, this reserve appropriation is maintained solely in the municipal budget and is reflected in the local purpose tax rate.

The township has gradually reduced its reserve for uncollected taxes through improved collection rates and stable general tax levies. The table below illustrates the five-year trend in the township's reserve requirements:



### **Surplus**

The township has a relatively stable surplus history over the past five years. Despite a growing fund balance at the end of each year, the township has consistently appropriated approximately one million dollars of surplus as revenue into the succeeding year's budget. The only exception to this trend was in 1997 when it appropriated \$792,274 into the succeeding year's budget. The table below indicates the township's ending year surplus and use of surplus in the next year's budget:



The primary cause for the growth of ending year surplus is better than anticipated revenues from the township's property tax levy. In 1999, the township collected \$895,633 in excess of the budgeted amount for taxes, as compared to \$417,168 in 1996. The team's review of other municipalities throughout the state has found this to be a common trend and is reflective of the favorable economic conditions with improving collection rates and increasing property valuations.

The team reviewed municipal budget projections to determine if the township significantly underestimated its tax collection rate. The team found a projected rate of approximately 1% below the preceding year's actual rate. The team considers this margin of revenue forecasting to be acceptable. Generally, LGBR recommends a range of 1-2% to account for possible reductions in revenue due to unfavorable economic conditions at the local or national level.

The management of surplus plays an important role in the township's overall financial condition. Maintaining adequate levels of surplus places the township in a strong cash position to fund its obligations for employee salaries, vendors, and other governmental entities. A strong surplus position can also provide contingent funds for future unforeseen expenses without increases in the tax rate. Additionally, bond-rating agencies identify stable surplus levels as a credit strength that may reduce the costs associated with issuing long-term debt.

#### **Recommendation:**

**The township is commended for its management of surplus. It is recommended that the township review its present practice of using a margin of approximately 1% between its actual collection rate and the projected collection rate in its succeeding year's budget. Given the relatively low incomes of township residents, poor economic conditions could reduce its collection rate and cause significant revenue shortfalls.**

## **Purchasing**

The team reviewed purchasing documents to determine if the township followed good business practices and complied with local public contract regulations. A review of the purchasing process found appropriate accountability and acceptable efforts to encourage cost effective purchases. The team randomly reviewed 400 purchase orders and generally found the township's purchasing practices to be satisfactory. The billing format used by the township's professional service vendor's included sufficient detail to allow the team to discern the specific project, time, and rate charged for each transaction.

A concern of the team is the administrative cost of issuing multiple vouchers for the billing of different escrow accounts by the same vendor within the same billing period. The township paid planning and zoning professionals with a single check from multiple vouchers charged to separate escrow accounts. An indeterminate, but substantial productivity enhancement may be realized by consolidating the various escrow charges on a single voucher with the appropriate escrow accounts charged for the services.

The purchasing process requires three approvals. The department head signs the purchase order, followed by the finance officer and township manager. The vendor signs the document certifying that the billing is correct and the goods or services have been duly delivered. Before the check is sent to the vendor, the vouchers are compiled into a bill list to be reviewed and approved by the governing body.

## **Staffing**

Seven employees, consisting of the chief financial officer, the assistant treasurer and five clerical employees', staff the department of revenue and finance, including grants personnel. The office is responsible for all treasury, finance and budget functions, including purchasing and payroll.

In 1999, the salary and direct benefit expenditures for the finance office were \$299,064. This represented actual salary paid to the employees, as well as the cost of medical benefits and payroll taxes. Other expenses, totaling \$46,210, included office and computer supplies, dues, auditing and payroll expenses. In addition, there were expenditures in the budget category 'buildings and grounds' for the treasurer's office. These disbursements for equipment maintenance, office and computer supplies, and service contracts totaled \$9,400.

The team observed operations and interviewed personnel in the finance department. The department is equipped with computers and a municipal finance software system is in place. The finance office is responsible for generating purchase orders (over 4,200 in 1999), reconciling bank statements, processing new hires, administering the payroll function, including pension and health benefits, as well as posting revenues and expenditures. A system to ensure that routine monthly bills are paid was devised by an employee and provides the chief financial officer with the information necessary to make short term investment decisions. Given the scope of activities handled by the office and the number of employees, the finance office appears to be overstaffed.

**Recommendation:**

**The team recommends that with a realignment of job duties, one clerical position could be eliminated.**

**Cost Savings: \$32,000**

A certified purchasing agent should be identified in the finance office in order to benefit from recent changes in the purchasing laws.

**Armored Car Service**

The township utilizes an armored car service for their daily cash deposits. This practice has taken place for several years. The cost of this service in 1999 for the township (which did not include the cost for the municipal court) was approximately \$3,500. We project the cost to be higher in 2000 due to the inclusion of a fuel surcharge fee.

**Recommendation:**

**We recommend the elimination of the armored car service. The team has reviewed comparable municipalities that operate without an armored car service and found no major security concerns.**

**Cost Savings: \$3,500**

## **CASH MANAGEMENT**

The team reviewed the township's cash management practices in order to determine if the municipality was maximizing its interest earnings while adhering to sound business practices. The chief financial officer (CFO), who is responsible for investment decisions and any changes to the banking partner agreement, handles all cash management functions. The township maintains all its cash balances with one bank, as well as the New Jersey Cash Management Fund.

The resolution, naming authorized depositories of the township, specifies eleven financial institutions. The chief financial officer prepares the bank account reconciliations. The municipal court administrator reconciles the bail and violations accounts. The CFO does not currently generate a cash flow analysis; however, she informally accomplishes this by assessing the cash position of the municipality on a monthly basis.

**Recommendation:**

**It is recommended that a comprehensive cash flow analysis be prepared in compliance with N.J.S.A. 40A:5-14. This will determine the availability of potential short and long term investments.**

**It is additionally recommended that the CFO delegate bank reconciliations to a subordinate employee. The township's financial operation is too large and complex to have this key member of the management team engaged in this relatively routine work.**



## **Banking Services**

Since 1998, the township has utilized a local bank as its primary depository. The township's selection was based on a Request for Proposal (RFP) sent to several banking institutions in 1997. As of December 31, 1999, the township maintained 24 accounts with the bank. In addition, there was one performance bond account with each of two other banking institutions. The township also maintained an account with the New Jersey Cash Management Fund that earned 4.95%.

The bank does not currently offer automated on-line banking services, but there are plans to begin this service within the next few months. On-line banking services are typically used for making wire transfers, balance reporting, and providing an efficient means of transferring funds, as well as managing cash flows. There is no formalized agreement between the township and its banking institution.

**We commend the township for soliciting bids to other banking institutions.**

## **Recommendations:**

**The team recommends that the township continue to solicit competitive bids through a RFP every 2-3 years. This proposal should clearly define interest rates, required compensating balances, reserve requirements, and all service and per unit charges. There are also other negotiable items to be considered when choosing a banking institution, such as reimbursement of payroll service fees. An evaluation of these items will enable the township to make a comparison of services and related costs to ensure the best value for banking services.**

**In addition, a contract with the bank, specifying the terms and conditions of the banking agreement should, be drafted and signed.**

## **Account Analysis**

The bank does not send an account analysis to the township, however, one was provided to our team upon request. In addition, the monthly bank statement specifies the interest rate and the average collectible balance. With this information, the team was able to recalculate the interest earned and verify that the bank's stated rate of interest was accurate. The bank offers three types of accounts which each earn various rates of interest. Money market accounts earn 3.05%; small business accounts earn 2.05%; and the cash management account rate fluctuates daily. The latter account earned approximately 4.1% during 1999. The bank does not charge any service fees, nor do they require compensating balances.

The average daily balances ranged from approximately \$1.7 million to \$5.3 million during 1999. These balances did not include certificates of deposit. The team compared the actual interest paid by the bank to the estimated potential earnings from the New Jersey Cash Management Fund (NJCMF), as well as to the 91-day T-Bill. These amounts were \$117,871 for the bank, \$169,876 for NJCMF, and \$161,670 for the 91-day T-Bill. The team also compared the actual interest earned to the higher interest rate paid by the bank on the township's cash management checking account (4.1%). Our analysis indicates that the township would have earned \$141,365 from the bank at this higher rate.

The team's analysis of interest earnings demonstrated that the township earned a very competitive rate of return on its cash management account (4.1%), especially considering the free banking services received. This account represents about 73% of the township's operating and trust accounts balances. The other 27% of its balances earned about 2.3%.

**We commend the chief financial officer for prudently investing funds in New Jersey Cash Management Fund, as well as negotiating a very good rate of return on their largest operating account.**

#### **Recommendation:**

**The team's analysis of the available cash in bank and year-to-date earnings indicated that the township could have earned a higher aggregate interest rate. The township should consider renegotiating a more competitive interest rate with its bank on all their accounts. The township could increase their interest earnings if all operating and trust accounts earned interest at a rate similar to the cash management checking account or if more funds could be invested in the New Jersey Cash Management account.**

**Revenue Enhancement: \$23,000 - \$52,000**

## **PERSONNEL**

Due to the labor-intensive nature of municipal services, personnel costs represented the largest category of expenditure in the township's budget. In 1999, salaries, health insurance, and other direct benefits cost \$9,134,585 from a total budget of \$16.69 million. Containing the costs of local government requires efficient management of the township's large and diverse workforce.

The township is a civil service jurisdiction and State of New Jersey, Department of Personnel civil service regulations govern the township's hiring practices. The township manager's office and finance departments are the primary agencies for routine personnel actions. The township uses a proprietary software program to track employee attendance and leave balances. Generally, the team found personnel records to be well organized and up-to-date.

#### **Personnel Policies**

Although the township's collective bargaining agreements govern many employee functions, there are other areas requiring the communication of management prerogatives and employment guidance. A personnel manual provides management with the ability to communicate standards of performance and behavior not covered by civil service regulations or collective bargaining agreements. At the time of the review, the township had prepared a draft of an official personnel policy manual. In addition to communicating important state and federal labor regulations, the manual would qualify the township for employment practices liability coverage offered by the township's joint insurance fund.

**Recommendation:**

**It is recommended that the township complete its personnel manual and, subsequently, become eligible for employment practices liability coverage through its insurance carrier.**

**Performance Evaluations**

With the exception of probationary performance evaluations required by civil service regulations for newly hired employees, the township does not prepare annual performance evaluations. Discussions with township employees indicated some questions regarding the relevancy of performance evaluations for a workforce that receives contractual raises and is governed largely by civil service regulations.

Although the team acknowledges these factors reduce the effectiveness of performance evaluations, the feedback from this process is still very important. In addition to communicating management's appraisal of an employee's work quality, this process also conveys important guidance regarding organizational objectives, performance standards, and personal conduct that are often missing in the informal communication that occurs in a working environment.

Besides advantages in communication, performance evaluations do have a very relevant meaning to township employees. These evaluations enable management to use more rational methods in determining promotions and professional development for its workforce. For employees who consistently fail to meet acceptable standards of conduct or performance, a good evaluation system will allow the township to more readily discipline or terminate these individuals.

**Recommendation:**

**It is recommended that the township implement a policy of annual performance evaluations.**

**Health Benefits**

The team reviewed health insurance coverage for township employees. We found that three part-time employees, working less than 30 hours per week, receive health insurance coverage. The cost for this coverage was \$24,410 in 1999. Generally, most municipalities only provide health insurance coverage to employees with full-time status.

**Recommendation:**

**It is recommended that the township terminate insurance coverage for part-time employees. Additionally, the township personnel manual should include policies specifying eligibility for insurance coverage.**

**Cost Savings: \$24,410**

## HEALTH INSURANCE

The township provides full hospitalization and medical coverage, prescription drug, dental, vision, and life insurance to all full-time employees. Full-time is defined as 30, 35, or 40 hours per week depending on the contract of the specific bargaining unit. The group health insurance is provided through AmeriHealth. The plan is a preferred provider organization (PPO) whereby the employee chooses doctors and hospitals from a network of providers. Non-preferred providers may be utilized subject to a reduction of benefits. These out of network costs are generally paid at 80%.

The township switched to AmeriHealth in January, 2000. We compared the premiums for both medical and prescription coverage for 1999 and 2000. The prescription drug benefits increased by 28% and the medical portion increased between 3% and 43% depending on the coverage type. The cost of providing medical and prescription drug benefits for 175 full-time employees, based on their current coverage selections for January, 2000 through January, 2001, is \$1,543,000.

The team compared the current medical premium rates for AmeriHealth with the New Jersey State Health Benefits Program (NJSHBP). The State Health Benefits Program offers three types of plans:

- The Traditional Plan reimburses for the cost of hospitalization, doctor visits, surgery, various medical services, and supplies. There are no restrictions in choosing a physician. The Traditional Plan, however, does not cover preventive or wellness care.
- A Health Maintenance Organization (HMO) provides complete coverage, including wellness and preventive care for medical services provided by affiliated physicians and hospitals.
- New Jersey Plus combines managed care with the option to get reimbursed for services performed out of the NJ Plus network of physicians, hospitals, or laboratories.

We evaluated current coverage types for full-time employees and compared them to the options provided by the NJSHBP for either the Traditional Plan or NJ Plus. The premium for the Traditional Plan is about 27% higher than the NJ Plus Plan, therefore the savings incurred from switching to NJSHBP depends on plan selection by the employees.

### **Recommendations:**

**It is recommended that the township solicit a request for proposal for its group health insurance plan. The insurance market has become very competitive in recent years and, therefore, it is advisable that the township take advantage of these favorable market conditions to reduce the yearly health insurance costs.**

**The township should also consider the New Jersey State Health Benefits Program for provision of health care benefits. Due to detailed health insurance provisions of the its collective bargaining agreements, the township may have to provide supplementary coverage to ensure compliance with these agreements.**

**With the rising cost of health insurance, some school districts and other public entities are now requiring their employees to pay a 20% surcharge for medical insurance on coverages other-than-single. The township should consider implementing this policy. Employees selecting any coverage other-than-single would pay 20% of the difference between the cost of the single coverage and the coverage chosen (i.e., family, member/spouse, or member/child). The team estimates \$140,000 in potential cost savings with this recommendation.**

**The township could set up a medical savings account under section 125 of the IRS code in order to reduce the financial effect of the co-pay and the tax burden for its employees. The employee would be exempt from paying federal taxes on this account.**

## **INSURANCE**

More than half of New Jersey municipalities have elected to exit the traditional insurance market and join forces with each other to secure insurance protection through one of 15 regional Joint Insurance Funds (JIF). Municipal JIFs allow local communities to pool resources and achieve economies of scale and other advantages previously available only to large corporations or very large cities.

The township has been a member of the Atlantic County Municipal Joint Insurance Fund (ACMJIF) since 1992. Coverage provided by the JIF includes general liability, automobile liability, property, fidelity and performance, boiler and machinery, workers' compensation, and police professional and public officials/employment practices liability. The JIF requires participation in all coverages offered and the commitment by the municipality is for three years. There are currently 31 municipalities in the JIF. The township's assessment for fund year 2000 is \$488,177. The township received a dividend check for \$40,745, resulting in a net cash outlay of \$447,432 in 2000.

In 1987, 24 communities in Atlantic and Morris Counties joined together in response to the escalating costs of municipal insurance and formed the Municipal Excess Liability Joint Insurance Fund, or "MEL." The MEL has grown rapidly since its inception to an organization that insures approximately 300 municipalities and 60 utility authorities in New Jersey. These municipalities and authorities represent 16 local JIFs. The MEL provides excess coverage over the ACMJIF coverage for a total of \$5 million.

As a condition of participation in the JIF, the township is required to appoint a fund commissioner to the JIF governing body. The township has appointed their chief finance officer as the JIF commissioner and the safety coordinator. National Associates of Cape May is their Risk Management Consultant.

Below is the 2000 Assessment Allocation:

<b>Loss Funds</b>	<b>Amount</b>	<b>Percentage</b>
Property	\$19,242	3.94%
Automobile Liability	\$15,902	3.26%
General Liability	\$80,549	16.50%
Workers' Compensation	\$131,064	26.85%
Deductible	\$39,789	8.15%
Operating Expenses	\$69,605	14.26%
Municipal Excess Liability	\$104,394	21.38%
Risk Management Consultants	\$27,632	5.66%
<b>Total Combined Assessment</b>	<b>\$488,177</b>	<b>100.0%</b>

The township has a safety committee, which meets only periodically. Based on our review of the loss ratio for the most recent three years, the township ranks 29<sup>th</sup> out of 34 municipalities. This is due to an excessive amount of workers' compensation claims. Currently, there are no policies established in the township for light or alternative duty for employees who are returning to work following an injury. In addition, the township subsidizes the difference between full wages and state disability disbursements to provide 100% compensation to the employee. This policy provides a disincentive for employees to return to work.

#### **Recommendations:**

**Immediate efforts are needed to address the excessive number of workers' compensation claims. This will require an evaluation of all relevant policies and procedures. Safety committee meetings should be held at least four times per year.**

**The CFO is currently both the JIF commissioner and safety coordinator. We recommend that a separate individual be named as safety coordinator, preferably from one of the operational departments, such as public works or police. The safety committee should conduct a complete review of all workers' compensation claims. A reassessment of the workers' compensation physicians utilized by the township should also be performed. In general, the safety committee needs to take a more proactive role in providing training and attempting to minimize the number of worker's compensation claims.**

**In addition, the township should solicit a Request for Proposal (RFP) for an expanded scope of services for a risk management consultant (RMC). The township requires a risk management consultant who can provide a wide array of services, such as loss time analysis, safety training, and other risk management duties. It should be noted that the JIF bylaws contain minimum standards for RMC services, however, the municipality can expand the scope of services to satisfy its own requirements.**

**It is recommended that the township consider the issuance of a safety manual. The manual should communicate safety procedures for protective clothing, safe operation of equipment,**

**and other information to reduce workplace injuries. Such a manual should be issued to employees with the instructions to follow all guidelines. The neighboring City of Cape May has an excellent safety handbook and the township could benefit from a similar document.**

**The savings generated by these recommendations are difficult to quantify due to the many variables involved in claims history. An expanded role of the RMC would also save staff time used to prepare programs and policies to reduce workers compensation claims. Although no definite dollar amount can be determined, the team believes that long-term saving would be substantial.**

## **TAX COLLECTOR**

### **Staffing**

Three full-time employees (the tax collector, assistant tax collector, and senior tax clerk) staffed the tax collection office during 1999. The tax office is responsible for issuing tax bills, collecting tax levies, processing delinquent accounts, generating monthly reports, and other tax related duties, as well as collecting municipal service fees.

In 1999, the salary and direct benefit costs for this department were approximately \$177,000. This included the employer costs of medical and dental benefits, as well as payroll taxes. Other expenditures were approximately \$9,200, which included such expenses as office and computer supplies, dues and conferences, printing and tax sale expenses. In addition, there were expenditures in the budget category 'buildings and grounds' for the tax collector's office. These disbursements for equipment maintenance, office and computer supplies, and service contracts totaled \$10,940. The total cost of the tax collection effort was approximately \$197,140.

The team reviewed the department's workload in relation to staffing. There were 14,903 tax lines within the municipality in 1999. An efficient workload ratio identified in previous Local Government Budget Review reports is between 3,300 to 4,000 tax lines per staff person. Based on its three staff positions, the ratio for the department is approximately one employee for every 5,000 tax lines, indicating an excellent level of efficiency for the tax office.

The office has counter service for walk-in traffic and remains open during the lunch hour. There is no lock box available for taxpayers to drop off payments during non-business hours, however, there doesn't appear to be a need for one. According to the tax collector, the public is generally pleased with the operational hours of the tax office.

### **Collections**

The tax billing and collection process is very standard in its procedures, as prescribed by statute. Payments to the tax office are due quarterly (February, May, August, and November), with the first two quarters' bills being estimated and the last two quarters' bills being actual. The tax bills are mailed in July, after the township receives the certified tax rate from the county board of taxation. The township prints, inserts and mails the tax bills, as an internal function. The office also produces approximately 4,000 advice copies of tax bills, each year which are sent to

property owners whose taxes are paid through a mortgage company. This office also bills and collects special assessments that have been established in neighborhoods benefiting from capital improvements. There are currently five outstanding special assessments.

The office takes advantage of available technology to process their tax bills. Bills are printed with bar codes that provide electronic information such as the block and lot of the parcel, ownership information, and taxes due. When payment is made, the returned bill is scanned and payment is compared to the amount due. If no changes are required, the payment is recorded with the push of a button. All money collected by the municipality is kept in a safe in the tax collection office until it is deposited in the bank by an armor car service.

Each account is given a 10-day grace period before penalties are assessed. The township is at the 8% and 18% statutory interest charge limit for delinquent payers. A flat 6% penalty is charged for accounts with an outstanding balance in excess of \$10,000 at the end of the year, as allowed under N.J.S.A. 54:5-61.

As the following comparison indicates, the percentage of collections has increased each year during the last five fiscal years from a low of 93.81% in 1995 to 95.73% in 1999. As noted in previous LGBR reports, the State of New Jersey recognizes an average/acceptable tax collection rate as 95%. The township's collection rates have been above that acceptable benchmark since 1998. Collection rates have been rising steadily over the last five years by an annual rate of approximately one half of a percentage point.

Comparison of tax levies and collections:

<b>Year</b>	<b>Tax Levy</b>	<b>Collections</b>	<b>Collection Rate</b>
1999	\$33,705,570.39	\$32,267,816.51	95.73%
1998	\$32,948,731.37	\$31,405,999.42	95.32%
1997	\$32,533,240.73	\$30,803,100.54	94.68%
1996	\$31,689,894.75	\$29,824,360.48	94.11%
1995	\$30,691,754.65	\$28,792,155.16	93.81%

The amount of delinquent taxes as a percentage of the total tax levy for 1999 was 4.69%. The delinquency rate has steadily decreased since 1995. The tax collection office sends delinquent notices three times during the year.

<b>Year</b>	<b>Liens</b>	<b>Delinq. Taxes</b>	<b>Total Delinq.</b>	<b>% Tax Levy</b>	<b># Liens</b>
1999	\$301,632.01	\$1,279,288.25	\$1,580,920.26	4.69%	78
1998	\$257,816.30	\$1,499,487.55	\$1,757,303.85	5.33%	72
1997	\$247,218.62	\$1,587,770.76	\$1,834,989.38	5.64%	95
1996	\$199,428.20	\$2,022,742.10	\$2,222,170.30	7.01%	65
1995	\$192,382.59	\$2,015,280.93	\$2,207,663.53	7.19%	66

**We commend the tax office for increasing the tax collection rate and decreasing the amount of delinquent taxes.**



### **Lien Processing**

The township hosts a tax sale once a year, usually in April. Determinations as to which properties to foreclose on are left to the municipal solicitor. It should be pointed out that the failure of any municipality to properly address the area of tax sales, liens, and foreclosures results in the township having to increase its “Reserve for Uncollected Taxes.” State statutes require that the municipality pay 100% of billed taxes to the schools and the county, regardless of whether the taxes are collected or not. Therefore, any shortfall in collections is subsidized by the local purpose (township) share of property taxes and is provided for in the “Reserve for Uncollected Taxes.” The township has recently become more aggressive in its foreclosure efforts.

### **Automated Posting**

Major mortgage companies provide tax payments for their customers accompanied by a computer diskette containing all of the pertinent information for the applicable properties. This information is “input” into municipal computers and allows hundreds of tax payments to be processed in minutes. There are currently two mortgage brokers who provide the tax office with a diskette for automated posting. This accounts for approximately 3,250 tax line items, which is about 22% of the total 14,903 line items. Automated posting is a much more efficient method of processing tax payments than posting manually.

### **Recommendation:**

**The tax collector should attempt to increase the number of automated postings by contacting other mortgage companies or brokers and arranging to take the necessary steps in order to automate payments.**

### **Municipal Service Fee**

The tax office also processes municipal services fees, which are fees charged to mobile home facility owners and used to offset the cost of municipal services provided by the township. The fee is necessary because mobile homes are considered personal property and are not subject to real estate taxes, yet all are households requiring routine police, fire, and educational services that any other residential property requires.

There are six mobile home parks in Lower Township with a total of 553 mobile homes. Each mobile home pad is assessed an annual fee of \$120, for a total of \$66,360 in revenue to the township. According to N.J.S.A. 54:4-1.6 and township ordinance 2A-9, the municipal service fee is collected from each owner of the manufactured home on a monthly basis by the owner of the mobile home park. The park owner is supposed to transmit the fees collected to the tax collector. All the mobile home parks in the township do not follow this method of collection. Currently, the township is collecting directly from the occupants of the mobile home in two of the parks. This has resulted in delinquencies totaling approximately \$9,500, including interest.

The municipal service fee was established in 1984 and was set at \$144.40 per year. In 1987, a resolution was passed amending the fee to \$120. Based on the team’s analysis of the tax

assessment for each of the mobile home parks in the township, we determined that the average tax paid per mobile home unit is approximately \$334. In conjunction with the annual municipal service fee of \$120, the township is collecting \$454 per mobile home unit.

### **Recommendation:**

**We recommend that the tax office collect all municipal service fees directly from the mobile home park owners as specified by statute. This should facilitate the collection of municipal service fees and allow more time for other tax collection duties. In addition, the municipal service fee, which was established 13 years ago, should be reviewed periodically to determine if it reflects the level of services provided.**

### **Overpayments**

The staff appears diligent in reviewing new overpayments and resolving them as they occur. This is an important function, because unlike other bills, the tax bill does not show credits or balances due. Accordingly, while a balance due will receive a delinquent notice, overpayments can remain unresolved for an extended period if not identified promptly.

Large overpayments typically occur when a taxpayer refinances or pays off a mortgage and both the property owner and mortgage companies make payments. This requires the tax collector to verify which party is due the refund. Overpayments of small amounts occur when a taxpayer, who is typically not paying taxes through a mortgage company, forgets a payment and gets a delinquent notice. The notice includes an interest calculation to a future date. Often the taxpayer pays the total amount on the notice without contacting the tax office for a precise calculation of interest.

**We commend the tax office for their diligent efforts in resolving overpayments in a timely fashion.**

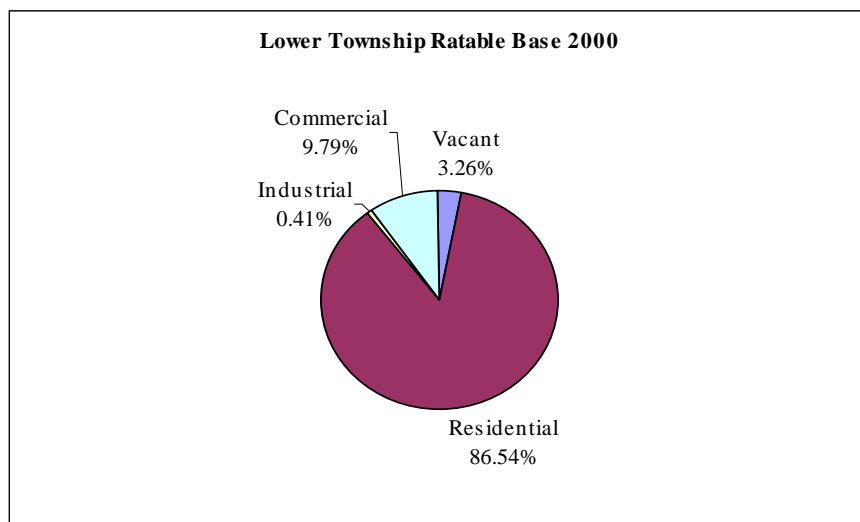
## **TAX ASSESSOR**

### **Overview**

The township has a heavy reliance on property taxes to fund its operations. Property taxes and delinquent tax revenue accounted for over 70% of its realized revenues. Other communities reviewed by the team typically had significantly higher proportions of revenues deriving from state aid, energy receipts taxes, and other miscellaneous revenues. Proper management of the township's assessments of real property plays a vital role in maintaining financial stability.

Discussions with township officials indicate that the inventory of developable residential property is declining, subsequently slowing future ratable growth environmental restrictions, such as the Coastal Area Facilities Review Act, further reduce the potential for development of the township's remaining vacant land.

In 2000, the assessed value of all categories of tax ratable property was \$1,361,524,700. The composition of the ratable base is primarily residential, providing over 86% of the township's valuation. The table below illustrates the distribution of taxable properties in the township:



### **Financial**

The assessment office had an approved 1999 budget of \$102,170. This was allocated as follows: salaries and wages, \$85,100 (83%), and other expenses, \$17,070 (17%). International Association of Assessing Officers standards indicate an acceptable range of 80%-85% of budgets for salary and the national average of per line item cost ranges from \$10-\$12. Based on the 1999 budget of \$6.82 per line item, this office is within the acceptable range for salaries, and well below the guideline for total budgets. This office is operating in a fiscally responsible manner.

### **Staffing**

The team reviewed staffing assignments to determine if the present level of staffing was appropriate for the workload. Staffing for the assessor's office consists of an assessor and a principal assessing clerk. Discussions with staff indicate that the office previously had five employees assigned to this function.

The team reviewed staffing assignments to determine if the present level of staffing was appropriate for the workload. The International Association of Assessing Officers (IAAO) has established general staffing benchmarks based on the number of taxable line items in the community. For jurisdictions with 10,000-20,000 parcels, IAAO studies have established an average staffing ratio of one full-time equivalent position for every 2,500 line items. Using this ratio, an appropriate staffing level would be five employees for the office.

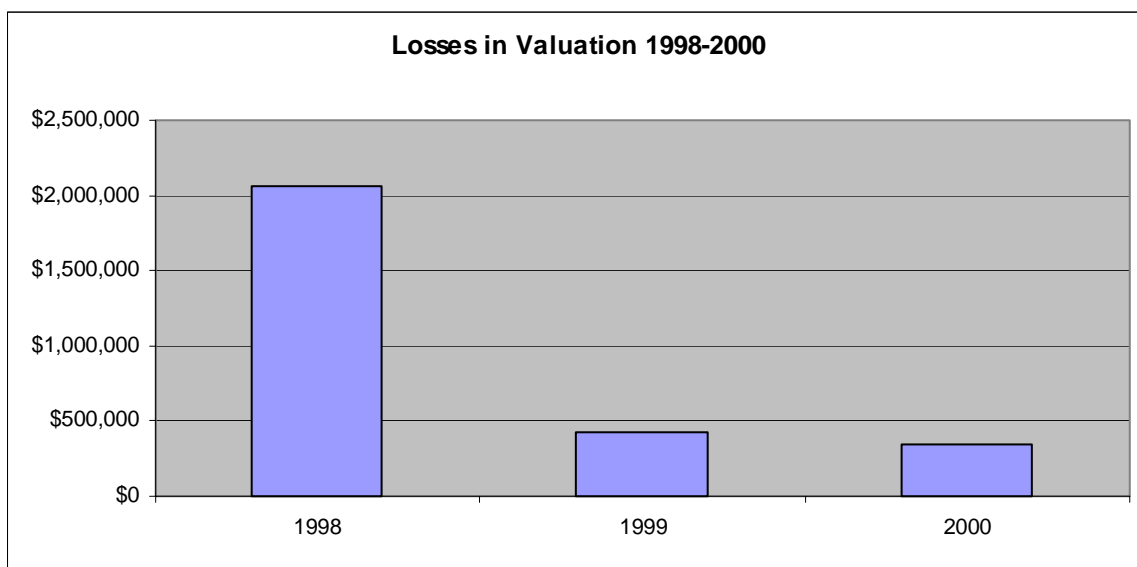
Additional variables used to evaluate these benchmarks include the level of computer automation, the complexity of the property inventory, and the experience of the assessing staff. The team's review of the office operations found a high degree of computer utilization and very knowledgeable employees. Although interviews with assessing staff indicated that they were functioning satisfactorily with the present staffing level, there are concerns regarding the availability of time for the assessor to complete fieldwork.

**The assessor's office is commended for its efficient staffing.**

### **Tax Appeals**

Tax appeals are an indicator of the assessor's office to maintain accurate data regarding property valuation. Massive losses in valuation sometimes require the township to raise the tax rate in order to recover the lost revenue from the remainder of its ratable base.

Overall, the township has experienced minimal losses in relation to its total valuation of approximately \$1.3 billion. Additionally, these losses in valuation have steadily declined over the past three years. The graph below illustrates this trend:



The resulting tax revenue lost to tax appeals is also relatively minor, as indicated in the table below:

1998	\$48,607
1999	\$10,246
2000	\$8,231

### **Revaluation of Assessed Valuation**

Several factors need to be analyzed in order to determine if the borough should contemplate an update of the assessed values. This would include a review of the: 1) equalization ratio, 2) coefficients of deviation, 3) quality of property record cards, and 4) quality of office technology. The reason to perform an update of assessed values is to distribute the tax burden equitably within the district by assessing each property at the current market value.

**Equalization Ratio:** The county equalization ratio measures the assessed value of properties against the true market value, as determined through data from property sales. The current equalization rate of 97.76% indicates that township properties are selling for more than their assessed value. By updating the assessments to 100% of full market value, the impact to the taxpayer is not as great as a complete revaluation.

*Coefficients of Deviation:* The coefficient of deviation is a method of statistically analyzing a group of assessment-sales ratios. A higher coefficient of deviation indicates a poorer degree of uniformity of assessments and a likely need for revaluation. Conversely, a lower coefficient of deviation indicates a better degree of assessment uniformity in the taxing district. For the purposes of this report only the general coefficient will be examined. The general coefficient is the measure of variation in assessment-sales ratio for all properties sampled without regard to property class, property size, or other property characteristics. The table below illustrates the four-year trend for the general coefficient:

1996	1997	1998	1999
12.12%	12.38%	12.83%	14.03%

International Association of Assessing Officers standards on ratio studies indicates that the acceptable range is 10-20%, but less than 15% is better.

*Property Record Cards:* A township-wide revaluation was completed for the 1992 tax year. At that time, the revaluation firm provided property record cards for all parcels in Lower Township. Since then, the township has changed software; consequently, these property cards are not compatible with the new software. The assessor has been updating the property data to the new system on an ongoing basis.

The property record cards each have a separate file folder, and are easily accessed by the assessor. Since the revaluation, the files have been maintained and property data kept current.

*Office Technology:* The assessor's office appears to be appropriately equipped with sufficient computers and software for an efficient operation. Although the tax collector and finance offices use different software systems, there are no significant productivity problems.

### **Recommendation:**

**It is recommended that the township closely monitor the workload of its assessing staff. If the positive assessment indices begin to decline, the township should consider hiring an additional employee to assist the assessor in updating assessed values.**

### **Permits and Added Assessments**

In 1999, there were 343 added assessments, with an assessed value of \$15,351,838, reflecting \$297,693.52 of tax revenue to the township. The added assessment list for the current year was still being finalized at the time of this review; however, the assessor had completed 355 added assessments with a value of \$24,691,800.

The assessor has no significant backlog of permits. Currently, there are 165 permits and 51 new constructions pending. The assessor has makes ongoing inspections of these permits, to be assessed at completion. Be advised that multiple inspections of construction projects, by the assessor, could be avoided by issuing certificates of occupancy to all completed projects. The assessor tracks permits by physically separating them from the other properties, and keeps a record of all inspections.

### **Qualified Farmland**

The township has 123 qualified farms. A review of the current applications found that the assessor has inspected all farms this year to determine eligibility. State regulations require that one third of all qualified farms be inspected each year. The assessor should be commended for surpassing this level. Due to the fiscal impact of the reduced assessment on these properties and the revenue that rollback assessments provide the determination of eligibility of qualified farmland is an important duty of the assessment office.

## **COURT**

While the team recognizes the separate authority and responsibility of the judicial branch of government, we make the following comments and recommendations to provide the township with information on current and potential operations, procedures, and programs available to the court. Recommendations are made with the knowledge that further review and approval by the appropriate personnel is required.

### **Operations**

The team observed a number of court proceedings, toured the facilities, and interviewed essential persons working in, or directly associated with, the municipal court. The court sessions observed by the team were conducted in an orderly and professional manner. The municipal court staff appeared knowledgeable and qualified.

Court sessions are scheduled once a week on Tuesdays during the day. In 1999, there were a total of 51 regular court sessions and eight special DWI sessions. The typical docket consisted of approximately 70 traffic violations, and about 35 criminal matters.

The court added 3,369 complaints in 1999. There were 2,444 traffic summonses and 925 criminal complaints issued during 1999. The traffic summonses consisted of 282 parking violations, 2,036 moving violations and 126 DWI summonses. They disposed of 3,252 complaints.

The court administrator is responsible for responding to calls to sign commitments 24 hours a day. She alternates this duty with the deputy court administrator on a weekly basis. They are compensated with two hours of overtime pay for each call. The Supreme Court has authorized a "fax complaints policy" for instances when it is not expeditious to contact the judge. This procedure involves telephone contact with the court administrator, whereby she transmits signed documentation by fax. Upon return to her office on the next business day, she confirms all copies of the documents and signs the originals.

### **Recommendation:**

**The municipal court should consider utilizing the "fax complaints policy" as authorized by the Supreme Court. This would reduce the amount of time spent responding to a call. Consecutively, compensation to court personnel could be reduced to possibly one hour per call.**

**Cost Savings: \$2,000**

## **Finance**

In 1999, the salary and wage expenditures for the municipal court were \$181,045. This represents actual salary paid to the employees, as well as the cost of medical benefits and payroll taxes. Other expenses totaled \$75,862. The salary and direct benefits paid to the judge in 1999 totaled \$28,587. The judge did not receive medical benefits. Compensation paid for substitute judges, due to illness or conflict of interest, was \$200 per court session. A substitute judge presided over the court three times in 1999.

Overtime for the municipal court in 1999 was \$8,180, which represented 285 hours at an average hourly overtime rate of \$28.70. Approximately 200 of those hours were associated with calls for signing commitments. The other 85 hours represented hours worked beyond the normal workday. Overtime for the current year through August, 2000 is 195 hours. Only two hours represent overtime for hours worked beyond the normal workday. It appears as though excess overtime will not be an issue in the current year.

During 1999, the court collected \$397,692 in revenue. The township retained \$156,479 of this revenue. The court disbursed the balance to state and county agencies. The court administrator maintains a bail account and a general violations account. Both accounts include criminal and traffic offense fines and are interest-bearing accounts earning approximately 2%. The monthly bank reconciliations are prepared on a consistent and timely basis. All fines collected are transferred to the township, the county, and various state agencies, no later than the 15th of the month.

The team compared the actual interest paid by the township's bank to the estimated potential earnings from the New Jersey Cash Management Fund (NJCMF), as well as to the 91-day T-Bill. These amounts were \$631 for Sturdy, \$1,571 for NJCMF, and \$1,491 for the 91-day T-Bill. The team also compared the interest earned (2.02%) to the higher interest earned on the township's general disbursement account (4.14%).

## **Recommendation:**

**The team's analysis of the available cash in bank and year-to-date earnings demonstrated that the township could have earned a more competitive interest rate on its fund balances.**

**Revenue Enhancement: \$680 - \$940**

## **Organization**

During 1999, the municipal court had a staff of four full-time employees, one part-time bailiff, and a judge. The court personnel consisted of a court administrator, responsible for the overall management of the department, and two deputy administrators. There was also a senior clerk typist. These staffing levels changed in 2000 with the retirement of the court administrator. There are currently three full-time staff and one part-time employee. One of the deputies was promoted to court administrator and her position was not replaced; however, a part-time employee was hired as a clerk typist.

The judge presides over each court session, and is on call 24 hours a day to handle emergency matters that may occur. During court sessions, the court recorder works at the bench monitoring

the recording system. Another court employee assists the judge and enters dispositions into the automated traffic system/automated complaint system (ATS/ATC). The court administrator and the deputy work in the office cashiering, preparing time payment applications, and processing papers for those sentenced to probation, community service, or attendance at the intoxicated driver resource center. At a typical session, the judge addresses the court at 9:00 a.m., reads the instructions pertaining to various legal matters, and takes roll. Defendants are given an opportunity to meet with the prosecutor or public defender. For defendants requesting the services of the public defender, the judge questions them on the record regarding their financial position. An application fee requesting the services of the public defender is required. The judge levies a fee of between \$50 and \$200 based on the income status of the defendant.

The Lower Township Municipal Court employs a court attendant who provides security during court sessions. In addition, a police officer is assigned to each session as a liaison officer. The judge's bench is equipped with a bulletproof shield. Alarms are also installed at the bench and in the court office.

**We commend the judge for questioning indigent defendants on the record concerning their financial status. Some courts simply require a defendant to complete an application requesting household income information. Defendants tend to be more forthright when required to testify in court and this may reduce the number of defendants utilizing free legal council who have no financial hardship.**

### **Facilities**

The municipal court and the court administrative offices are located in the Lower Township Public Safety Building, which also houses the police department. The courtroom appears to be adequate in size, however, the posted room capacity is 100 and actual seating is about 75. The records held for retention by the court staff are stored in the court administrator's office, and appear to be well organized.

### **Case Management**

The court receives summonses from a variety of agencies. These include the NJ State Police (NJSP), the NJ State Police Marine Division, the NJDEP Division of Fish, Game and Wildlife, the Lower Township Police Department, the animal control officer, and the code enforcement officer. The court administrator delegates criminal matters, including scheduling cases, processing bench warrants, and completing various other court duties to the deputy. The deputy appears to be cross-trained in most areas. The other staff is responsible for entering tickets into the system, answering the telephones, accepting payment for fines, and other court related duties.

The court operates the automated traffic system (ATS) and automated criminal system (ACS) from the state Administrative Office of the Courts. The ATS/ACS software provides elaborate record keeping and case tracking for the municipality and the state judicial system. The ATS and the ACS have been in use since 1995. The staff appears knowledgeable in the various features and uses of the systems.

The current caseload per month is 68 cases per employee. Many factors affect the ability of a court staff to process cases. Foremost is the mix of parking, moving violation, and disorderly



person (criminal) cases. For Lower Township, it consists of 8% parking, 61% moving, and 31% criminal/DWI cases. Other factors include the training, experience, and diligence of the staff. Lower Township's caseload per employee is extremely low in comparison to several other courts we reviewed. In addition, there was a tremendous amount of leave time used in 1999. The 1999 statistical ATS/ACS reports show the average case disposal rate was 97%, indicating that the staff is effectively utilizing the ATS/ACS computer.

#### **Recommendation:**

**Based on our analysis of the ATS and ACS monthly reports for 1998 and 1999, as well as the Atlantic/Cape May Vicinage's staffing report, the municipal court office appears to be overstaffed. The appropriate staffing for this office should be between 2 to 2½ employees. Currently, there are 3½ staff members. In conjunction with the vicinage staff, we recommend that the township determine if a staff reduction of one employee can be made to realize savings of approximately \$30,000.**

#### **Time Payments**

Sometimes defendants are unable to pay the fines assessed in court. In these cases, the judge may allow a defendant to make periodic payments or "time payments." In many courts, time payments become delinquent, requiring aggressive follow-up by the court staff. The value of the time payments accounts as of August, 2000 was over \$330,000.

The Lower Township Municipal Court may be a candidate for the Comprehensive Enforcement Program (CEP). CEP is offered through the Administrative Office of the Courts (AOC) by application. The program assists the courts in locating defendants who fail to make the required payments and have not responded to collection methods. According to the legislative guidelines regarding this program, the CEP retains 25% of the amount collected.

#### **Recommendation:**

**The township should consider filing an application with the AOC to participate in the Comprehensive Enforcement Program for the collection of delinquent funds. Conservatively estimating a 10% collection rate, the township could realize \$33,000.**

**Revenue Enhancement: \$33,000**

#### **Armored Car Service**

The municipal court utilizes an armored car service for their daily cash deposits. This practice has taken place for several years. The cost of this service for 1999 was approximately \$1,000. Our team calculated the average daily deposit to be approximately \$1,300. This sum of money does not seem to warrant the services of an armored car service.

#### **Recommendation:**

**We recommend the elimination of the armored car service.**

**Cost Savings: \$1,000**

**Failure-to-Appeal Notices**

During the period reviewed, the court produced and mailed failure-to-appear (FTA) notices promptly after each court session. Timely mailing of these notices is an important feature for both the enforcement of summons to appear and for the internal financial controls of the court.

**We commend municipal court for its timely and consistent generation of failure to appear notices.**

**PUBLIC DEFENDER**

The Municipal Public Defenders law, N.J.S.A. 2B:24-1 et. seq. requires each municipality to hire a public defender. Lower Township has contracted with a law firm to provide this service. The law also provides that the township may charge an application fee of up to \$200 for those requesting a public defender, as long as an ordinance is adopted. The fee assessed by the judge in Lower Township is between \$50 and \$200 based on the defendant's income. The township is to use the fees to offset the costs of contracting a public defender, including expenses relating to expert witnesses and discovery.

During 1999, the judge granted 170 requests for the public defender. Since most defendants who are assigned a public defender participate in the time payment program, the township did not realize this entire amount in 1999. Public defender fees collected in 1999 were \$9,280, which reflected both current and past due fees. The current public defender has served Lower Township for the past four years. The township paid the public defender \$10,000 in 1999 for handling all cases assigned, which amounted to \$385 per court session. The public defender does not receive health, sick leave, or vacation benefits; however, he is compensated as an employee and receives pensions benefits. There were no "other expenses" billed by the public defender in 1999.

The public defender generally appears at two court sessions per month. He meets clients in the courtroom prior to the court session. He estimates that he spends approximately one to one and a half days outside the courtroom in preparation for each court session. Based on the assignment of 170 cases to the public defender in 1999, the average cost per case was \$59.

**PROSECUTOR**

The township's council appointed the prosecutor for the purpose of providing representation to the township and to the State of New Jersey in the municipal court of Lower Township. In addition, the prosecutor provides legal advice to the police department. The prosecutor has been serving the township since January, 1999. During the teams' review, the prosecutor was present for each court session, prepared for his cases, and ready to proceed on all matters. The prosecutor plea-bargains a significant volume of the cases in consultation with the complaining officer and the defendant. This serves to expedite the court docket.

The prosecutor has a one-year professional contract which provides an annual salary of \$15,000, as well as medical, dental, and vision benefits. Based on approximately 40 regular court sessions attended by the prosecutor, he earns \$375 per regular session. The terms of the agreement specify an hourly rate of \$80 for all time spent in special court sessions. There were eight special DWI sessions for which the prosecutor was paid \$2,900. These invoices were mailed directly to the township finance department.

The finance department requests a docket to verify that a special session was held, however, there is no review by the court administrator to ensure that the number of hours billed are reasonable. In addition, the prosecutor earned \$1,234 for his 25% share of the Alcohol Education, Rehabilitation, and Enforcement Fund. During 1999, the total cost to the township for the services of the prosecutor was \$26,135, which included the cost of medical benefits, as well as payroll taxes.

### **Recommendation:**

**The township should review the invoices submitted by the prosecutor to ensure that hours billed for special sessions are reasonable. The township should also reevaluate its practice of providing health benefits to compensate this part-time position.**

## **POLICE**

### **Overview**

The Lower Township Police Department is the third largest police agency in Cape May County. It services a community with the largest permanent population in the county. The township also has a substantial seasonal population that stays in its many campgrounds, resort homes, and motels. With the rapid growth in the population since the 1970s, the police department has also experienced significant expansion of its staffing. The department has also made significant strides in adopting the latest policing strategies and encouraging professional development.

The police department operates in a unique geographic environment. The bulk of the township's geographic landmass is situated along the southern end of the narrow Cape May peninsula. In addition to this area, the township's jurisdiction extends eastward across the back bay areas to portions of the barrier island comprising the Wildwoods. The township's boundaries also extend southward across the Cape May Canal to border the communities of Cape May, West Cape May, and Cape May Point. Road access to these areas is limited and can be severely restricted during heavy traffic or major storms. These geographic factors are important in determining the efficient and effective deployment of the township's public safety resources.

The team found the township police department to be generally well managed and staffed with competent, conscientious officers. Documents requested by the team were provided in a timely manner. The quality of the management information was relevant to the effective management of the department and the team's review of police operations. The quality and quantity of management data indicates that the department has sufficient management tools to operate its department in an effective and efficient manner.

## **Mission**

The department provided the team with a clearly defined mission statement. The department spends considerable time refining its mission statement to make it relevant to the line personnel. The team reviewed mission statements prepared for subordinate divisions and found that these statements supported the department's mission, while at the same time providing intermediate goals that are specific to the division's functions.

## **Organization**

The department consists of 45 full-time sworn officers and nine special law enforcement officers (SLEO). The SLEOs are deployed largely on a seasonal basis to assist with the increased calls for service during the summer. The dispatching section consists of eight full-time communications operators with seven part-time relief operators. The department employs six clerical employees, as well as a mechanic and a mechanic's helper assigned to perform maintenance on police vehicles and the township's light passenger and van fleet.

The police department sworn ranks are divided into two divisions. The operations division consists of the four rotating patrol sections, the tactical patrol, and the communications section. The administrative/support services division consists of the investigative bureau and the community police section.

The departmental rank structure follows relatively standard lines with a police chief supported by a captain, who functions as a second-in-command with specific emphasis over patrol operations. Two lieutenants command the operations and administrative/support divisions. A third lieutenant handles logistical and administrative activities.

Presently, a lieutenant and a civilian administrative employee provide logistical support for the department. The lieutenant oversees the fleet maintenance operation, uniform procurement, and other resource activities. Additionally, the lieutenant is involved in grant management, purchasing, and other budget activities. The department's table of organization lists the lieutenant as supervising the communications section and interviews confirm this function.

The team found that the record keeping of these activities is exemplary and that the lieutenant has a smoothly running logistical operation. The lieutenant has gradually trained the civilian in some features of the resource activities. The department previously used a sergeant to perform many of these duties.

## **Recommendations:**

**It is recommended that the township eliminate one of the lieutenant positions and reassign the remaining superior officers to a revised table of organization that more clearly delineates the department's operational and administrative functions. The team believes that the following reorganization will provide a more streamlined assignment of duties with the police command group.**

**The operations division would consist of a captain commanding both patrol and detective functions. A lieutenant would oversee the patrol division consisting of the regular patrol**

shifts, the community police section, and the tactical unit. Since patrol and investigations are interrelated, the detective bureau, under the supervision of a sergeant, would be included in this division. Both the lieutenant and sergeant would report directly to the captain under this proposed table of organization.

It is recommended that a lieutenant head the administrative division. The administrative division would consist of the department's civilian personnel, consisting of communications, records and other support functions. The administrative lieutenant would also handle fiscal and personnel management functions.

The advantage of this recommended table of organization is that it provides unified command and control over the department's operational units. This configuration provides the department with flexibility to deploy its resources in a more effective manner. It also consolidates administrative functions under a single individual. To professionally develop officers for higher-ranking positions, police administration may rotate the lieutenants between the patrol and administrative divisions to gain experience in a wider array of police activities. (See Appendix A for recommended table of organization.)

**Cost Savings: \$75,000**

### **Uniform Crime Report**

The Uniform Crime Report (UCR) is the compilation of criminal activities reported by law enforcement agencies throughout the state. Generally, the township UCR statistics are relatively low when compared to neighboring communities and county crime rates. This statistic is especially notable given the significant seasonal population of the township. Since crime rates are indexed according to the permanent population, resort areas often report considerably higher crime rates than the state or county averages.

Comparisons in crime rates are difficult, given the unique demographics of each community in the region. The table below illustrates the township's UCR crime rates in relation to municipal, county, and state statistics:

	<b>Crime Index</b>	<b>Violent Crime</b>	<b>Non-violent Crime</b>
Lower Township	35.3	2.1	33.1
Middle Township	48.2	3.3	44.9
Wildwood City	205.5	18.8	186.7
Wildwood Crest	54.3	6.5	47.8
Cape May City	60.5	1.1	59.4
Cape May County	53.7	3.5	50.2
Atlantic County	68.1	5.7	62.4
State of New Jersey	34.2	4.1	30.1

*Source: 1999 Uniform Crime Report.*

One category of criminal activity that is above the county or state average is domestic violence. The township reports a disproportionate number of domestic violence incidents in relation to the township's share of the county's population. Although the township constituted 22% of the county's population, it reported 36% of the total domestic violence cases for the county.

This amount of domestic violence cases causes a significant rise in the workload for the department. Domestic violence calls involve considerably longer police responses and attorney general guidance requires that at least two officers respond to each incident. At the time of the review, the department was attempting to address this situation with greater efforts at counseling and follow-up to reduce recidivism.

### **Financial**

The police department has the largest budget of all the operating departments in the township. In 1999, total expenditures relating to police operations were \$4,992,407, or approximately 30% of the municipal budget. Of this amount, personnel costs were \$4,784,720 and other expenditures amounted to \$207,687. Personnel costs include gross salaries, insurance, pension, and other benefits.

### **Patrol Staffing Analysis**

Patrol operations are the central function of law enforcement. Officers assigned to patrol functions constitute over 68% of the department's sworn strength. The patrol officers are the first law enforcement officers to respond to calls for service and are the department's primary point of contact with the public. Additionally, the high visibility patrols conducted by these officers serve to deter crime and create a sense of security in the community.

At the time of the review, patrol staffing was made up of four rotating platoons consisting of a sergeant and five patrol officers. In addition to these units, the patrol force is augmented by a tactical platoon of a sergeant and four patrol officers. This tactical unit is deployed to cover high activity periods that surpass the capabilities of the regular platoons. During 2000, several tactical platoon personnel were used to replace vacancies in the regular platoons of officers on extended injury leave.

The International Association of Chiefs of Police (IACP) has created a formula that is used to determine patrol staffing levels based upon the department's calls for service (CFS) workload. The IACP formula uses the total number of calls for service (CFS) and computes a required number of hours by multiplying the annual CFS by the average time consumed by a patrol unit to service a call. This consumed time is the actual time consumed by the patrol unit from the time it is dispatched until the time the patrol unit is cleared of the call. This formula creates total number of hours required to service the department's call for service demand.

The team reviewed the department's computer aided dispatch (CAD) reports with police administration to ensure the accuracy of the department's CFS data. In discussions with police administration, we determined that the township's CAD data did not include calls requiring multiple officer responses. The unadjusted CAD data listed a total of 29,509 CFS with an average consumed time of 18 minutes per call. The team adjusted the CFS data to reflect the backup responses that were not reported by the borough's CAD system. After adjustments were

made, the team recalculated the total CFS to be 37,472 with an average consumed time of 19.73 minutes per call. The increase in consumed time reflects the more time intensive nature of calls requiring backup responses, such as domestic violence, assaults and other more serious incidents.

In addition to calls for service, police officers have other duties such as high visibility patrols, training and other administrative activities. The IACP formula uses a multiplier of three to account for these miscellaneous duties. When this multiplier is applied to the department's call for service workload, all patrol activities consume 36,966 hours. The following formula is used to determine the minimum number of full-time patrol officers:

#### **Calls for Service Demand Model:**

A. Consumed Time/Call	19.73 minutes
B. Calls for Service	37,472 CFS
C. Convert Consumed Time/Call into Hours (19.73/60)	.3288 hours
D. Total Hours Consumed (B X C)	12,032
E. Multiply by IACP Buffer Factor of Three	36,966
F. Divide By Officer Availability of 1,775 hours = Officers Required	20.8
G. Minimum Officers Required	21

It should be noted that the above staffing formula needs to be further modified from a geographical perspective. The patrol coverage area contains sections of the township that are separated from the mainland by bodies of water. These geographical features limit the rapid response of patrol elements on the mainland to offshore locations. The need to patrol these areas and to provide adequate response times is a factor requiring more staffing than what the formula indicates.

Exclusive of the five sergeant positions, the department has 24 patrolmen assigned to patrol operations. Although the analysis indicates a minimum of 21 officers is required, the team believes that the patrol function is properly staffed due to the above geographical factors.

#### **Seasonal Workload**

The distribution of the workload varies considerably. As in most of the communities in Cape May County, the summer tourist season brings a dramatic increase in the department's calls for service. The July CFS workload is approximately 75% higher than the workload during the winter months. The graph below illustrates the considerable increase in calls for service during the summer season:



To address this seasonal increase in workload, the township has recently transitioned to a table of organization that makes greater use of special law enforcement officers (SLEO) during the peak summer months. The township reduced its staffing of full-time sworn officers and increased the number of SLEOs in the department. In 1995, the department's table of organization consisted of 53 full-time sworn officers and one SLEO, as compared to 45 sworn officers and nine SLEOs in 1999. In addition to the greater use of seasonal officers, the department imposes leave restrictions for officers assigned to the busy shifts during the peak summer months.

#### **Recommendation:**

**The township is to be commended for reducing its full-time sworn strength and adopting a table of organization that is more appropriate for its seasonal workload. The reduction of eight sworn officers and replacement with seasonal officers has created substantial cost savings in salaries and benefits.**

#### **Patrol Schedules**

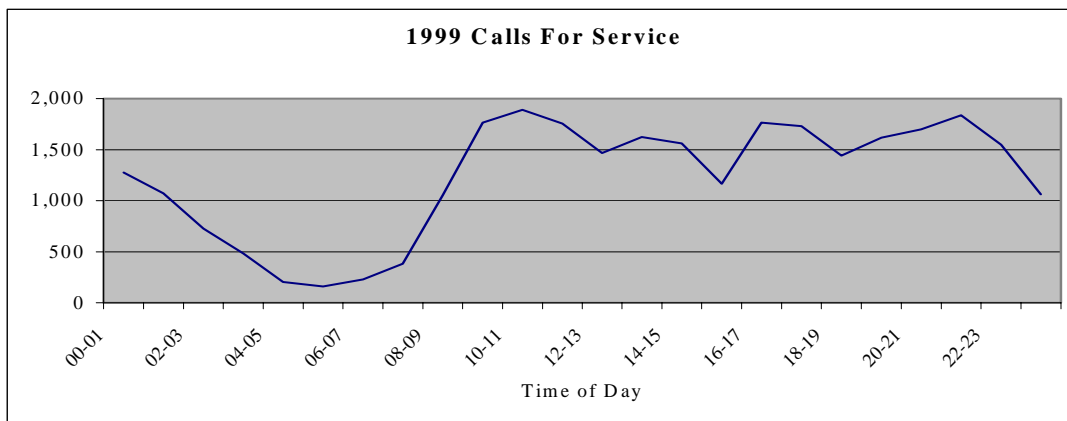
Sworn officers work 8-hour shifts on a 6-2 (days on/days off) schedule. The township schedule creates a 2,184-hour work year, amounting to 104 hours more than the standard 5-2 schedule of 2,080 work year. Despite extended working hours, the generous leave provisions in the police collective bargaining agreement create an officer availability (standard work year less paid leave) that is comparable to officers working a standard 5-2 schedule. Discussions with line personnel indicated dissatisfaction with the work schedule due to fatigue and the rotation system, which leaves officers with less than 48-hour rest periods between duty every third shift.

In addition to morale considerations, the team also had concerns regarding officer fatigue and its consequences on officer safety and productivity. A review of sick leave usage for patrol officers found an average of 13 sick days in 1999. Generally, LGBR considers 5-6 days of sick leave to



be an acceptable average for departments. Based upon the disruption of sleep patterns and the extended length of the workweek, the team concludes that the schedule may be a major factor in this high sick leave usage.

Optimally, the work schedule should distribute officers based upon demand as measured by CFS volumes during the course of the day. Presently, sixteen hours of the workday experience relatively high volumes of activity while the late night and early morning hours receive considerably lower volumes of calls. The table below illustrates this daily pattern of CFS activity:



### **Recommendations:**

**It is recommended that the department adopt a 5-2 work schedule and distribute the patrol strength to correspond to the township's CFS cycle. The team's analysis of the CFS history, in general, finds the distribution of the township's workload to be approximately 80% for the day and evening shifts with the midnight shift having the remainder of the calls. Taking minimum staffing requirements into account, it is recommended that police administration prepare a 5-2 schedule.**

**In implementing this schedule, the police officers would be working a standard 2,080-hour work year and would not be eligible for the 104 hours of additional straight time pay at the end of the year. Additionally, the generous leave provisions in the collective bargaining agreement would have to be reconsidered in view of the reduction in annual hours.**

**The team acknowledges the difficulties involved in implementing this schedule. For the officers, the benefit of a reduction in annual hours is offset by the loss in the 104 hours of pay each year. Furthermore, police contract language is ambiguous regarding the negotiable status of the schedule and is open to interpretation.**

**The team believes that this schedule would provide a more effective department with its patrol forces distributed in a more efficient manner.**

**Potential Cost Savings: \$76,237**

### **Investigative Bureau**

A detective sergeant supervises the investigative bureau and is staffed with five detectives. The bureau is divided into two sections, the detective section and the juvenile section. The detective section has three detectives assigned and the juvenile section has two detectives. The bureau is a subdivision of the administrative/support services division and the detective reports to the lieutenant commanding the division.

The team reviewed UCR data to compare performance and staffing benchmarks with the bureau's operations. According to 1999 monthly UCR reports, the bureau reported a clearance rate of 26.6%. This clearance rate compares favorably with the state average clearance rate of 20.5%. The team used a ratio of UCR index crimes to assigned detectives to derive a very general guide to appropriate staffing levels. In previous reviews, the team found an average of 122 index crimes per detective. According to the 1999 UCR, the 773 reported index crimes amounts to a 128.8 ratio for the township.

Discussions with police administration indicated that the department planned to participate with the county prosecutor's task force. The department will assign a detective in order to participate in the regional effort. Previously, the level of cooperation between the county and the department was minimal.

**The department is commended for its excellent clearance rate and its intention to seek regional cooperation in law enforcement through the county task force**

### **Fleet Management**

Given the mobility required in modern police operations, the condition of the department's vehicle fleet plays a central role in the ability of the department to accomplish its missions. Specially manufactured police vehicles provide officers with the safety to conduct routine patrol functions in a variety of challenging environments. Generally, the township is a suburban community with typical demands on the fleet in terms of usage and travel patterns.

Fleet management primarily consists of two functions, vehicle maintenance and procurement. The composition of a police fleet usually consists of frontline vehicles, used by patrol and tactical units, and administrative vehicles that are used by police support services. Generally, a new vehicle is initially assigned to patrol units to support its requirements for reliability and safety. In many departments, after the effective frontline service of a vehicle is complete, the vehicle is transferred to administrative use or used as reserve for breakdowns in the patrol fleet. In this report, the maintenance operation will be discussed in the public works section.

The police vehicle inventory amounted to 38 vehicles for a total of 45 sworn officer and nine special law enforcement officers. During the review, the department received two additional 4-wheel drive vehicles and was in the process of outfitting them for police use. According to documents obtained by the team, the police fleet is assigned to the following divisions:

Division	Number of Vehicles
Administration	5
Detectives	7
Community Services	4
Patrol	16
Tactical	6

*Procurement:* There are no state or national standards regarding the procurement of police vehicles or setting the standard service life for frontline vehicles. The decision as to whether a vehicle should be on frontline status should be based upon a maintenance assessment of the vehicle's safety and the cost-effectiveness of continued high usage with the accompanying costs of services and repairs. Local Government Budget Review has evaluated urban police departments in which frontline patrol vehicles were transferred to administrative purposes after 100,000 miles of patrol usage.

The team's review of police vehicle assignments indicated that some newer vehicles were assigned to non-patrol functions. Administration, detectives, and community services had six police cruisers assigned with less than 100,000 miles. It should also be noted that two 1998 police sedans with relatively low mileage (16,360 and 20,872 respectively) were assigned to these largely administrative divisions.

#### **Recommendation:**

**It is recommended that the department transfer the 1998 sedans to the patrol and tactical units and replace them with high-mileage sedans from these organizations. The department should periodically review its fleet assignments to insure that more reliable vehicles are assigned to rapid response units.**

For police administration, the department assigns vehicles to the chief and superior officers for commuting and the possibility of recall to duty. Three vehicles are under 100,000 miles and two are above 146,000 miles. Generally, the team found little evidence of frequent recalls to duty to warrant such an arrangement.

#### **Recommendation:**

**It is recommended that the department only assign one vehicle for the use of the police chief or the acting chief in his absence. The other vehicles should be organized into a fleet pool for use only during duty hours. This arrangement will extend the service life of the administration vehicles through less commuting miles.**

#### **Community Policing**

Community policing is a strategy that builds stronger relationships between law enforcement agencies and the communities they serve. Although deployment techniques can vary widely, an effective program depends upon good communication with residents and a customer service approach to fulfill the needs of the community. There are several objectives involved in creating an effective community-policing program:

1. Build a positive perception of the police department among the community.
2. Understand the concerns of the community and relate these concerns to the department's mission.
3. Use information received through the communication process as a means of intelligence collection and convey the information to appropriate police divisions.
4. Deploy police tactical units to achieve organizational goals derived in the community policing process.

To achieve this mission, the department has created a community policing unit and has tried to encourage the whole department to adopt a community policing philosophy.

A sergeant heads the department's community policing unit. The unit is divided into two sections, a community policing unit and a school resource officer (SRO) section, each composed of two officers. Generally, the community police officers are involved primarily in outreach efforts and requests from residents involving neighborhood quality of life issues. Discussions with police officials indicated that officers were selected for this unit on the basis of their interpersonal skills in dealing with the public.

The SROs are assigned to the elementary school and the regional high school. Although police officials report no significant gang activity or unrest, the department officials indicate that the deployment of the officers to the schools is to augment the existing social service structure by having officers that are aware of the external issues regarding student misbehavior. In assisting with this mission, the police instituted a survey in which students communicated the type and number of criminal incidents occurring at the school.

#### **Recommendations:**

**It is recommended that the department integrate the activities of its school resource officers into the general patrol functions. The team has reservations regarding the use of sworn officers for largely social service missions. It should be noted the cost of providing SRO support to the schools was approximately \$140,000 in salaries and direct benefits, or one cent on the property tax rate. The officers can perform routine patrol duties and provide school related functions as needed.**

**It is recommended that the township consider the eventual integration of its community services division into the department's regular patrol functions. The team believes the community policing strategies and manpower should be thoroughly incorporated into standard operating procedures and the tactical deployment of its patrol division. The existing sergeant position should be retained with the primary roles of coordinating community policing functions with the patrol division and meeting with the public.**

**The team acknowledges the difficulties in transitioning a major organization to new operating strategies. The police administration must make community policing techniques relevant to line officers in order to make it an effective operating philosophy. The**

**integration of these four officers into patrol functions would also provide the department with greater operational flexibility by having greater staffing resources on hand to perform multiple missions.**

### **Uniforms**

The township has implemented very cost-effective uniform procurement policies. The department utilizes a quartermaster system for uniform issue and replacement. This is the preferred method for purchasing uniforms. Under this system, the department issues all required uniforms to new, full-time police officers. Rather than receiving a uniform allowance, the township replaces individual uniform articles as they are damaged or worn through normal wear and tear. In 1999, the township paid \$12,439 for police uniforms, resulting in an average cost of \$234.69 per officer.

Pursuant to the police collective bargaining agreement, police officers receive a clothing maintenance allowance of \$750. This allowance is used for cleaning and maintaining the police officer's uniform. A survey of regional police departments indicates this allowance to be comparable to other departments in the region.

In addition to a uniform allowance, officers receive up to \$150 each year for the purchase of prescribed equipment and professional development materials. Since these items are often purchased through operating accounts rather than an allowance system, the team believes this practice is appropriate as long as management reviews the purchases for compliance with the contract.

**The department is commended for having a very cost-effective uniform procurement policy.**

### **Dispatching**

The department provides its own dispatching services as an internal operation. At the time of the review, the department assigned eight full-time dispatchers and seven relief dispatchers to the communications sections. In 1999, personnel costs for dispatching were \$355,761 in salaries and direct benefits. Due to periodic high volumes of CFS, the township generally assigns two dispatchers to handle these calls.

The team met with area police chiefs to discuss possible regionalization of dispatch services. At present, the county does not have immediate plans for countywide dispatch. Discussions with area departments indicated considerable interlocal cooperation already taking place throughout the county among individual municipalities. Presently, the department does not dispatch for other law enforcement agencies.

### **Citizen Survey**

The police department instituted an innovative citizen survey program to measure the level of public satisfaction with police services. The department randomly selects respondents from three subject categories: calls for service, traffic summons, and arrests. The random process consists on selecting every ninth call for service on a given date, every fifth traffic summons for the week, and every fourth arrest of the week.

The department mails these individuals a questionnaire soliciting responses regarding the quality of services rendered to the public. The call for service survey includes such questions as dispatcher courtesy, response times and the impressions of the public as to the officer's ability to handle the situation. The arrest and traffic summons surveys query the subjects of these actions as to the officer's actions regarding professionalism, fairness, and the overall satisfaction with the behavior of the officer.

The program has received a response rate of 34%. The department reports a favorable rating from 95% of the subjects surveyed for calls for service. The arrest and traffic summons shows similar favorable responses. The department reviews and investigates complaints and takes corrective action to address the problem. Examples of corrective action include counseling dispatchers regarding mannered speech, deploying tactical and patrol units to correct juvenile problems, and instructing officers in proper police procedures.

**The department is commended for this survey program and its commitment to customer service. The team considers this program to be a "best practice." Many communities throughout the state would benefit from such a program.**

## **FACILITIES**

### **Building/Space Utilization**

The township provides administrative service from three buildings, township hall (12,664 square feet), planning and development (4,730 square feet), and the public safety building (48,000 square feet). The purpose of this section is to determine if the space is being efficiently utilized and at what cost. The township also has a recreation center, public works facility, and senior center. However, given the special nature of the programs administered from these facilities, they are excluded from this review.

The township entered a long term (99 year) lease with Cape May County for a building located at the Cape May Airport to provide space for the police, court, and emergency management functions and relieve overcrowding in the township hall complex. The township expended approximately \$2.4 million in capital funds to renovate the facility to meet their functional needs in accordance with code. Renovations were completed using a combination of outside contractors and in-house public works staff. During the review, the township began renovations to provide space for emergency medical services and occupancy is expected sometime in 2001.

The 48,000 square feet in the public safety building includes office space (including all police and court functions and the new space for EMS), a police "intake" sally port, a police vehicle repair operation, and a garage area for the storage of police vehicles. The following summarizes the space types by square feet:

<b>Public Safety Building</b>	
<b>Use</b>	<b>Square Feet</b>
Office	33,480
Vehicle Repair	1,778
Sally Port	1,350
Parking	11,392
<b>Total</b>	<b>48,000</b>

It was observed during a tour of the facility that there seemed to be unused and/or under utilized space. So a comparison was made against other township facilities and LGBR benchmarks. As a preliminary measure of utilization, the team performed an analysis of “gross” square feet per employee in each township building.

The gross square feet of buildings includes all space inside the exterior walls, such as including hallways, restrooms, mechanical rooms, and other common areas. As such, the team recognizes that there may be other inherent factors that affect the results. These include building efficiency and design characteristics (some buildings are just designed with more useable space) and current utilization (the presence of a public meeting room and/or courtroom for example). However, it is a good barometer to determine if further study is warranted. In this case, in order to make the comparison as “apples to apples” as possible, only the “office space” portion of the public safety building was considered. Employee counts were based upon 1999 payroll data and included part-time employees at the planning building. The following table summarizes the findings:

<b>Building</b>	<b>Square Feet</b>	<b>Employees</b>	<b>Sq. Ft./Employee</b>
Town Hall	12,664	19	667
Planning	4,730	14	338
Public Safety	33,480	59	567
<b>Total</b>	<b>50,874</b>	<b>92</b>	<b>553</b>

As indicated, the township has an average of 553 gross square feet per employee. It has been LGBR’s experience that when utilizing State of New Jersey space standards for administrative, police, courts, conference and public meeting space, approximately 400 gross square feet per person is a reasonable standard and benchmark. This standard has been validated in several municipalities (in various parts of the State) where more detailed space analyses have been performed. For example, Hillsborough Township (Somerset County), with a population of approximately 30,000 and 54 square miles, provides the same basic services from a 58,703 square foot building that houses a Township staff of 152, or 386 square feet per person.

Using the 400 gross square foot standard as a planning benchmark, there would be adequate space at the public safety building to accommodate a staff of 84 within the current office area of the building. If consideration were given to renovating the indoor parking area (11,392 square feet) 112 people could occupy.

Obviously, this is not to suggest that 84 or 112 people could, or should, be housed in the building tomorrow. However, these findings do suggest that a more detailed analysis should be performed to determine the most cost-effective and service efficient way to meet the needs of township residents over the next ten to twenty years. There are many “one-stop shopping” advantages to having all township services provided from one well-marked, efficiently designed “user friendly” facility with available parking and access to public transportation. In addition, there are many design efficiencies that can be incorporated, such as a combined courtroom/public meeting room which is common in many municipalities.

There are also cost factors to be considered. The township has already made a significant capital investment of \$2.47 million (\$51.45 per square foot) to renovate the public safety building. If the township were to consider consolidating administrative operations at this site, there would be additional design and construction (capital) costs that would have to be incurred. However, there are other current expenditures that could help offset additional debt service. For example, the 1999 operating cost (electricity, cleaning, maintenance, etc.) for the township hall and planning building was approximately \$58,000. This amount would support over \$650,000 in debt service payments over a 20-year period.

The township would also have to consider the best use of the current township hall and planning building in the context of its long-term needs. The proximity to the school would suggest consideration for early childhood programs or other public (or recreation) use. If not needed for public purposes, the sale of the property could support other economic development initiatives with revenues used toward the renovation of the public safety building.

The township has a potential short-term operational issue, too much space, that could turn out to serve the long-term public interest of the community. The team recommends that the township engage the services of a professional architectural/space-planning firm to develop a long-term facility plan for the township, with a series of options and costs, for consideration.

### **Recommendation:**

**It is recommended that the township engage the services of a professional architectural or space-planning firm to develop a long-term facility plan for township operations and services. Although the cost of this study is significant, it would serve to better advise the township in its facility expenditures for the next 20 years.**

**One-time Value Added Expense: \$20,000**

## **PUBLIC WORKS**

### **Organization**

The public works department has 52 full-time employees. The organization is comprised of a superintendent and assistant superintendent with five functioning divisions. Three clerical employees provide administrative support for the department. Three supervisors and the assistant superintendent manage the divisions. The department head reports to the township manager.



The department is responsible for street and road maintenance, including streetsweeping, patching and paving, storm sewer drainage systems, and road signs. It also collects trash and recycling from residential and commercial properties. The department provides for the maintenance of public buildings and the department's fleet of vehicles. The public works facility is located at 771 Seashore Road in Cold Springs and is approximately 2.8 miles from the township hall. A transfer/convenience center is also located on the site.

### **Financial**

The funds for the public works services for the last several years has been the combination of the general operations budget, plus bond ordinance funds earmarked for road improvements. In 1999, the salary, and direct benefits expense was \$2,381,475. While the breakdown and analysis of such expenses of the specific divisions within this department are listed in this report, the review found that the management staff earned \$12,447 in overtime during 1999. The operating expense was \$192,777, plus \$853,146 in solid waste disposal costs. Additional expenditures of \$686,492 were attributed to the road capital program.

### **Recommendation:**

**The administrative staff and management are salaried employees and should not be entitled to overtime compensation. This issue will be addressed in the personnel section of the report.**

**Cost Savings: \$12,447**

### **Mission**

The department has a strong customer service orientation. As described in its mission statement, the department provides a wide-range of services for all residential and commercial taxpayers to keep the community beautiful, clean, and safe. This statement includes eight goals for the department's service delivery system to follow:

1. Develop and accomplish a clean township free from trash, bulk items, leaves, branches, and debris.
2. Ensure the recycling program is enforced with residents and businesses.
3. Improve the quality and safety of the roads and streetlights throughout the township.
4. Track and maintain all street and traffic safety signs in coordination with state regulations.
5. Keep all township vehicles in proper and safe working condition.
6. Coordinate the Clean Shores Program with the State of New Jersey.
7. Perform public and community service activities with various school and non-profit agencies, as needed.
8. Provide ample administration and record keeping of all public works functions.

In accordance with the mission statement, the department directly provides a level of high-quality services on par with the rest of the full-service communities in the state. These services are performed throughout the township, which encompasses an area of approximately 37 square miles, 172 miles of township roads, 32 miles of county, and eight miles of state roadways.

## **Management Control and Reporting**

To accomplish this aggressive mission statement, there is a clearly defined department table of organization with five service divisions, as well as administrative support staff to supervise the operations. The support staff includes a superintendent, assistant superintendent, and three clerical positions. The clerical positions include two clerk typists and one principal clerk typist.

The five divisions include three supervisory employees and a workforce of 44 positions, 35 of which are classified as laborers. The divisions include recycling services with 14 employees and solid waste services with 10 employees. The assistant superintendent supervises these activities. Vehicle fleet maintenance has four employees, including a garage supervisor. The building maintenance and street safety signs division is comprised of four employees, including a supervisor. The roads division is divided into two segments, a road drainage crew with six employees and the road capital crew with nine employees. One supervisor manages these two divisions. The capital crew completes road reconstruction projects and is primarily funded by various bond ordinances.

The hours of operation for the department are 7 a.m. to 3 p.m. The road crews work an eight-hour day with a paid half-hour lunch, while the office staff works a seven-hour day with an hour lunch break. At the beginning of the workday, all employees report to the public works office to receive their work assignments. There is no time clock or sign-in sheet to document the hours of work. Employees calling out sick must call the police dispatch to report their absence. This call is recorded and a list of absentees is faxed to the public works office by 7 a.m. each day.

At the beginning of each workday, attendance is verified by the superintendent or assistant superintendent. The attendance sheet is then given to the three clerical staff persons. One employee manually completes the township timesheet for payroll. A second employee manually documents the leave time for the department and prepares the payroll disc for hourly rates and work title differentials. A third employee enters the attendance and work assignments for computerized work orders.

The team's review of support staff functions indicated that the three employees assigned to this department were duplicating many tasks and responsibilities. In many cases, the work was done manually by one employee, the duplicated by another employee with a computerized application.

Payroll information, citizen's complaints, work orders, and solid waste and recycling information were among the items reviewed. The team observed a software system in place that can track all the work functions and activities of the department, however, it is greatly underutilized.

## **Recommendations:**

**It is recommended that a time clock be installed at the public works facility. A time clock will provide the department with means of documenting the employee's workday hours.**

**Additionally, it is recommended that one clerk typist position be eliminated. The workload and functions of the support staff, if properly utilized, does not justify three employees. The township should evaluate the present software system, determine what documents and information it wishes to record and provide adequate training for the staff.**

**Additionally, the networking of information from public works to the township hall should be completed. This will greatly enhance the payroll and the purchasing functions of the department.**

**Cost Savings: \$30,000**

### **Absenteeism**

The team reviewed absenteeism and its effect on productivity. For the purposes of this review, absenteeism is unscheduled leave and includes sick leave, workers compensation, suspensions, and uncompensated leave. The team reviewed records from 1997 through August of 2000.

All permanent full-time employees are credited with 15 sick leave days at the beginning of the year and unused days may be accumulated from year to year. At the employees request, the township will buy back five days of unused sick leave in December of any year from employees who have not used more than five days in that calendar year. For the year ending 1998, 18 of 19 qualified employees elected to receive payment for unused sick leave.

Although several employees had excellent attendance records, the overall number of days of absenteeism was high in this department. The excessive absenteeism has been limited to a few workers. The chart below summarizes the findings.

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Workers' Compensation Days	694	301	352	127
Suspension/No Pay Days	108	77	50	22
Sick Time	469	379	414	383
Total Days Off	1,271	757	816	532
Average Days Off per Employee	24.4	14.6	15.7	15.3*

\*Projected for entire year.

In 1999, the total loss time is equivalent to the total work time of more than three full-time employees. In analyzing absenteeism, LGBR uses a benchmark of 6.5 days for public works employees. The actual sick time used by the employees is minimally over the standard, but when workers' compensation time and suspension/no pay time is included, the lost time is substantial.

### **Recommendations:**

**It is apparent that excessive use of unscheduled leave time has occurred over the years in this department. While the employees contract does provide management with controls to address the sick leave issue, additional recommendations concerning number of days**

absent and acceptable attendance standards will be discussed in the personnel section of this report. Also, the team recommends that the sick leave buy-back program continue as an incentive to reduce sick leave usage.

The department has experienced an inordinate amount of lost time due to workers compensation related claims. The team recommends the department become actively involved in employee safety training programs and the safety committee activities in an effort to reduce loss time. In an effort to return the injured employee to work in a timely fashion, the team further recommends that a list of meaningful alternate duty or light duty functions be established. This list should be reviewed and approved by the safety committee.

For suspensions arising from disciplinary actions, the team recommends that management carefully document the incidents that caused such action. The supervisor should follow New Jersey Department of Personnel guidelines when issuing disciplinary action against an employee. Additionally, the department should complete annual employee performance evaluations with a special emphasis on attendance. Recurring disciplinary problems and substandard evaluations should either serve as a counseling tool for improvement or grounds for termination.

With the implementation of the above measures, the team believes the township can substantially reduce its loss time. Using the benchmark of 6.5 days of loss time, the township would realize a productivity gain of 478.4 workdays or the equivalent of nearly two full-time employees.

**Productivity Enhancement: \$68,890**

### **Fleet Maintenance**

Fleet maintenance plays a vital role in enabling municipal governments to achieve their daily tasks and missions. All major operational departments rely on vehicles and other powered equipment to perform their functions. The township's inventory of public works equipment, police vehicles, and other motorized equipment represents a major capital investment on the part of the township. It is imperative that the mission of the fleet maintenance operation be to provide effective and efficient vehicle service that affords the township employees with safe and reliable equipment.

The township does not have policies or procedures specific to vehicle operations or maintenance. The lack of such written policies creates opportunities for misuse of equipment, and inhibits performance and the development of training programs. Standard operating procedures are particularly important for drivers and mechanics when maintaining a large, diversified fleet as in the township.

### **Recommendation:**

The township should develop a vehicle operations, maintenance, and service policy as part of the employment personnel manual. Specific guidelines should be established as to vehicle operator's responsibilities and the maintenance staff tasks.

The township has approximately 96 vehicles in service in its various departments. Additionally, the public works department has several pieces of heavy equipment used in the road capital program. Maintenance and repairs to the township owned vehicles and equipment are primarily performed by township mechanics. The vehicle list provided to the team represents the following departmental breakdown:

- 49 vehicles - Public Works;
- 39 vehicles - Public Safety;
- 2 vehicles – Code Enforcement;
- 2 vehicles - Buildings and Grounds/Recreation;
- 2 vehicles - Tax Assessor;
- 1 vehicle – Treasurer; and
- 1 vehicle – EMS.

There are two separate maintenance shops in operation to service and repair the township fleet. The public works facility houses a large garage to maintain all the equipment for this department. There are four full-time employees assigned to this department; a supervising mechanic, a diesel mechanic and two mechanics. The expenditures for this shop in 1999 were \$229,608 for salary and wages, including direct benefits, of which \$13,950 was overtime compensation. Other expenditures included \$104,208 for vehicle parts and repairs with an additional \$19,400 spent for tires.

The public safety maintenance shop services all police vehicles and light vehicles from other departments. Two full-time employees, a mechanic, and a mechanic's helper are assigned to this operation. In 1999, the township paid \$107,512 in salary and direct benefits to the two employees. The costs of vehicle parts and repairs were \$41,450 with an additional \$7,033 for tires.

### **Vehicle Equivalents**

The vehicle equivalents (VE) formula is a method used to determine the staffing level needed to maintain vehicles. It was developed by the US Air Force and is recognized by various fleet maintenance consulting firms as one of the best guidelines for analyzing staffing levels. This method determines the average number of hours of maintenance and repairs a vehicle requires and converts those hours into VE. For example, a standard passenger vehicle requires approximately 17.5 hours of work per year. In contrast, a trash compactor truck may require 136 hours per year, which would be eight times the work of a passenger vehicle or an equivalent of eight VE.

The VE ratio is determined by dividing the required hours to maintain a vehicle fleet by the number of annual available mechanic hours. For the township, a full-time mechanic has approximately 1,750 hours available annually. This is determined by deducting the number of paid leave hours from a standard 2,080-hour year. The available hours are divided by the maintenance requirements for one passenger vehicle to determine the VE ratio. The industry standard is a ratio of approximately 100 VE per mechanic for an efficient maintenance operation.

Based on the composition of the township's fleet, the team calculates that the township has a VE of 355.5 or a yearly requirement of 6,221.25 maintenance hours.

	<b>Vehicle Equivalent</b>	<b>Hour Required</b>	<b>Mechanics Required</b>
Public Works	249.5	4,366	2.5
Public Safety	106.0	1,855	1.0

Using these calculations, the township's staffing requirements, based on its vehicle equivalents, would be 3.55 full-time employees (FTE).

### **Recommendations:**

**It is recommended that the township consolidate its fleet maintenance operation into a single division at public works. Presently, there are six employees (four in public works and two in public safety) performing vehicle maintenance. The VE rating indicates that the township's vehicle maintenance work can be completed by 3.55 FTE's.**

**The team recommends that the township reorganize the present vehicle maintenance operations by reducing the mechanic work force from six to four. The gross savings realized with reduction would be approximately \$100,000 in salaries and employee benefit expenses.**

**The team further recommends that all vehicle maintenance be performed in one central facility at the public works garage. This consolidation will enable the township to coordinate the scheduling of vehicle repairs and maintenance, centralize the purchasing of parts, and maximize productivity through the elimination of duplicated shop overhead. This option would provide additional facility space at the public safety building for other use.**

**Cost Savings: \$100,000**

### **Preventive Maintenance Program**

Preventive maintenance (PM) includes the routine, scheduled inspections and the alteration and replacement of vehicle parts and fluids designed to correct conditions that may result in future mechanical failure. A properly implemented PM program not only increases the life of vehicles, but also increases the operational availability of the fleet. Increased availability is related directly to the number of vehicles required to meet the needs of the township. Improved preventive maintenance produces lower acquisition and maintenance costs.

The township has a PM program in place for both the public safety vehicles and the public works equipment. However, there is no written formalized procedure of scheduled maintenance activities in accordance with specific requirements that may exist with each type vehicle in the township's fleet inventory. Driver vehicle inspection forms are supposed to be completed before each use by public works employees. Police operators prepare a weekly inspection form.

In both departments, many forms are not routinely completed and are of limited value in maintenance. Unless there is a specific problem with the vehicle, the drivers are not concerned, for the most part with the PM maintenance of the vehicle. The mechanics play an active role in the scheduling of the vehicles for the general ongoing and periodic servicing of the vehicles.

### **Recommendation:**

**Even though a PM program does exist, there is no policy specifying the procedure for the periodic and ongoing scheduled maintenance of the vehicles. The team recommends that such a procedure be implemented. Further, the team recommends that all drivers complete a mandated pre-trip/post-trip inspection form each time a vehicle is put into service. A properly completed and managed driver inspection form is most useful in determining and scheduling vehicle maintenance.**

### **Performance Standards and Mechanic Productivity**

Management does not use performance standards and benchmarks to monitor productivity. Direct labor time for the performance of maintenance and repairs of the vehicles is rarely recorded. Indirect labor for such tasks as procuring parts and other support functions has never been tracked. Without the benefit of performance standards or benchmarks, management cannot be assured that each mechanic is working to his fullest potential.

The single most expensive item in a maintenance operation is salaries and benefits paid to the mechanics completing the work. As a result, the mechanics' productivity is the basis of an efficient operation. To maximize efficiency and enhance productivity, 90% to 95% of a mechanic's available hours should be recorded as direct or billable hours on the repair orders.

An important component of maximizing productivity is the utilization of a computerized fleet management program. The team observed that both the public safety and public works maintenance operations have access to such software. However, the actual use of the fleet management software is limited. A well-designed, computerized fleet management program would provide the township with vehicle tracking features including:

- fleet inventory;
- complete maintenance and repair history;
- work orders;
- preventative maintenance and inspection scheduling;
- preventative maintenance checklists;
- repair parts management;
- labor/mechanic productivity;
- tire and component costing;
- work-pending records;
- fuel, oil, and fluids history and consumption records; and
- work in progress.

The system's ability to measure labor hours will allow management to gather data on the performance of each mechanic. This information will assist the township in evaluating performance standards of not only the mechanics, but also the overall supervision of the fleet maintenance operation.

### **Recommendations:**

**The team recommends that management establish performance standards for the township fleet maintenance operation. The standards used in commercial shops should be the benchmark, (i.e., Motor or Chilton).**

**The township should review and analyze the software systems that are presently being used to determine if the systems are sufficient to provide the information needed to properly manage the fleet maintenance operation. An outside consultant maybe useful in assisting the township with this review.**

### **Building Maintenance/Sign Shop**

This division is comprised of a working supervisor, a maintenance repairer, and two laborers. The building maintenance component is responsible for the general upkeep and repairs to all the township owned facilities. This includes the municipal hall complex, the public safety building, and the public works yard. In addition to these primary facilities, the division maintains numerous other recreational facilities, community centers, and ancillary buildings.

The tasks include, but are not limited to, the minor activities of changing a light bulb or moving furniture, to plumbing, carpentry, electrical, painting, HVAC service, and general remodeling. The sign shop operation is responsible for making, installing, and repairing all street and traffic safety signs in the township. Additionally, it also maintains guard rails, provides street markings, and marks and paints no parking zones, yellow curb areas, and handicap spaces.

The supervisor receives all requests for repairs, service and assistance. This individual follows up each request to inspect and determines the scope of work to be performed. He is responsible for determining if the work is to be completed in-house or outsourced, scheduling the work, and purchasing materials, if necessary. A work order is completed for each request/job and contains a completion date, cost of materials, and labor rate costs by employee. Cost centers are established and each department is charged for the materials consumed in completing the job. During 1999, 223 work orders for the sign operation and 203 work orders for building maintenance were completed. Through September of 2000, 169 work orders were processed for the sign operation, while 159 were completed for building maintenance.

In 1999, \$196,713 was expended in salary, wages, and direct benefits, of which \$10,078 was paid in overtime compensation. Much of the overtime occurred while performing maintenance on buildings on weekends while the facilities were unoccupied. Additionally, two employees (laborers) are reassigned, as needed, to assist the recycling collection and municipal trash collection operations when regularly assigned employees are absent.



**Recommendations:**

The team commends this operation as a well-run component of the public works department. The supervisor is very knowledgeable, well organized, and produces a good work product for the township.

While the scheduling of certain maintenance is necessary on weekends when the facilities are unoccupied, the team recommends that the work schedule of the employees be revised to coincide with the scheduled maintenance, thus avoiding the overtime expense.

**Cost Savings: \$5,000**

**Solid Waste**

The Cape May County Municipal Utilities Authority (CMCMUA) is the implementing agency for the Cape May County Solid Waste Management Plan. Since 1984, the authority has been operating a waste disposal system for municipal household waste, recycling materials, and vegetative waste. The CMCMUA issued bonds to finance this project. Income derived from tipping fees from the disposal of waste generated in Cape May was the means of retiring this debt.

Tipping fees escalated throughout the 1990's. In 1997, as a result of a court decision, New Jersey's solid waste flow control regulations were determined null and void. Thus deregulating the states solid waste industry. This decision allowed generators and waste haulers to direct the disposal of solid waste where they deemed it most cost effective. A review of the tipping fee charges from 1997-2000 is listed below:

**Total Tipping Fee Per Ton**

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Municipal Solid Waste	\$92.75	\$82.75	\$76.48	\$73.00
Bulky Waste	\$92.75	\$82.75	\$76.48	\$73.00
Construction/Demolition	\$65.00	\$60.00	\$55.00	\$53.75

**Environmental Investment Charge**

To enable the CMCMUA and other disposal facilities to meet their bond obligations, the NJDEP and NJDCA Local Finance Board approved a fee known as the Environmental Investment Charge (EIC). This charge would ensure the repayment of outstanding debt incurred by the CMCMUA in planning and implementing its solid waste management plan.

The assessments for the EIC are based upon the actual quantity of solid waste generated for disposal in the county. While solid waste generators and/or haulers are free to select a disposal facility in state or out-of-state, all waste generated within Cape May County must be weighed at the CMCMUA Sanitary Landfill or the county transfer station. At which point the EIC is determined and charged in accordance with the approved plan. This plan was approved in November of 1997.

The initial assessment was \$36.36 per ton of solid waste. The charge has decreased each year and is presently \$27.24 per ton. On June 22, 2000, the state Supreme Court ruled the Environmental Investment Charge illegal, as it was not authorized by the state legislature. The ruling provided a 90-day postponement until legislation is established to fund the repayment of outstanding debt. Listed below are several charts reviewing the EIC and other charges, the impact it has had on the tipping fees, and the approximate dollar value the township has paid in EIC charges from 1997 to date:

#### **Environmental Investment Charge (EIC) and Other Fees per Ton**

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Environmental Investment Charge	--	\$36.36	\$29.51	\$27.24
State Mandated Taxes	\$2.60	\$2.65	\$2.70	\$2.75
Host Community Benefit Tax	\$4.24	\$4.32	\$4.40	\$4.48
Pinelands Mitigation Fees	\$2.04	\$2.04	\$2.04	\$2.04

#### **Rate per Ton since Inception of EIC**

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Municipal Solid Waste	\$83.87	\$37.38	\$37.83	\$36.49
Bulky Waste	\$83.87	\$37.38	\$37.83	\$36.49
Construction/Demolition	\$56.12	\$14.63	\$16.35	\$17.24

#### **Amount Paid in Environmental Investment Charges**

	<b>1998</b>	<b>1999</b>	<b>2000-Sept.</b>
Total Tonnage MSW	11,599	12,395	10,302
EIC Paid	\$421,740	\$365,776	\$280,626

#### **Municipal Solid Waste**

The township provides weekly curbside collection of municipal solid waste to approximately 13,309 households. Residents are permitted to dispose of two bulky waste items per year, but they must notify public works that the items are being placed at the curbside. The bulky items are collected the same day as regular trash. Additionally, collection service is provided to approximately 162 select commercial establishments including five campgrounds, six condominium associations, all township owned buildings and parks, and three firehouses. The one parochial and six public schools are picked up daily.

There are no records maintained as to the specific volumes collected from the various stops, but at the team's request, a two week sampling of the tonnage of waste collected from the schools indicated that six tons of trash was generated weekly. Approximately 20 of the commercial establishments are seasonal businesses and do not require service from October through April. Listed below is a summary of the solid waste tonnage collected annually from 1998 through September of 2000:

### **Curbside Collection-Household vs. Commercial**

	<b>1998</b>	<b>1999</b>	<b>2000-Sept.</b>
Household/Tons	8,717	10,218	8,708
Commercial/Tons	1,643	778	288
Total Tonnage	10,360	10,996	8,996

The township is divided into five zones to provide this collection service and covers approximately 171 miles of township roads, 32 miles of county roads, and eight miles of state highways. The department has seven trash pickers available for use in the collection of the solid waste. Three vehicles are assigned to the household service and one to the commercial collection. In accordance with the collective bargaining agreement, three employees are assigned to each residential collection vehicle, while the commercial collection requires two employees.

A review of the departmental organization chart indicates that 10 employees are assigned to this division. During interviews with the superintendent and the assistant, an attendance problem in providing this service was discussed. A high absenteeism rate, due to vacation, personal days, sick leave, workers compensation claims, has necessitated that employees from other divisions be reassigned to assist with the waste collection service. This has created problems in completing other departmental services, such as sweeping streets, patching potholes, and other activities.

There are many factors involved in attempting to establish a true cost for this service. There are hard costs that include the budgeted salaries and wages, plus employee health benefit expenses, equipment parts and tires, employee uniforms, vehicle fuel expense, and other general items. In 1999, these costs were \$535,744.

Expenses such as capital equipment, vehicle maintenance hours, and reassigned employees time were not included in the specific solid waste budget line items. However, as this service is provided in-house, these costs need to be included to develop an accurate review of the total expense of providing this service. Seven trucks are assigned to this operation at a value of \$130,000 each. The team estimates a 10-year life for these vehicles for an annual expense of \$13,000 per vehicle. Using the VE formula, as described earlier in this report, the maintenance of the seven trash packers used to deliver this service would require 50% of one full-time mechanic. This would equate to approximately \$28,700 per year.

The cost of reassigning of employees from other divisions to assist with collection service is difficult to establish because this information was not readily available. There are 10 employees assigned to this division and, using the average absenteeism rate of the department plus the yearly vacation and personal time allotment, a conservative estimate for reassignment would be 1.5 FTE or approximately \$48,000. The additional non-budgeted expenses increase the cost of delivering municipal waste collection by \$167,700. An analysis of the cost of the collection operation is listed below:

### **Cost of Curbside Solid Waste Collection**

	<b>1997</b>	<b>1998</b>	<b>1999</b>
Tonnage	10,202	10,360	10,996
Tipping Fees	\$946,236	\$857,290	\$840,974
Collection Costs	\$668,460	\$705,754	\$703,444
Total Expense	\$1,617,696	\$1,563,044	\$1,544,418
Cost per Ton	\$158.28	\$150.88	\$140.46
Cost per Stop-13,471	\$120.09	\$116.03	\$114.65

### **Cost of Collection Only**

	<b>1997</b>	<b>1998</b>	<b>1999</b>
Cost per Ton	\$65.53	\$68.13	\$63.98
Cost per Stop-13,471	\$49.63	\$52.39	\$52.22

The team concludes that the cost of providing household and commercial solid waste collection by the township public works employees is substantially in excess of benchmarks for southern New Jersey. In 1999, the township's collection costs of \$63.98 per ton and \$52.22 per household are well above benchmarks used in analyzing cost-efficient operations. The average cost for collection in southern New Jersey communities ranges from \$43 to \$46 per ton. The team concludes the high cost of collection to be attributed to excessive absenteeism, the cost of vehicle repairs and maintenance, commercial collection service, and the collections from public schools without reimbursement.

### **Recommendations:**

**The team recommends that the township prepare detailed specifications for its solid waste collection and solicit sealed bids. These specifications should include weekly household service with separate bids for the collection of commercial establishments. A review and analysis of the bids should greatly assist the township in determining the most cost-effective procedure in providing this fundamental public service. Contract benchmarks indicate the cost to be approximately \$46 per ton, as compared to the present township expense of \$64 per ton, indicating a potential savings of \$18 per ton. Based on 1999 figures of 10,996 tons of solid waste, the savings would be approximately \$197,928 in collection costs.**

**Cost Savings: \$197,928**

**An addition revenue enhancement would be realized if the township elects to outsource its trash collection service. The present fleet of equipment used for this service would not be needed. The seven vehicles assigned to this service could be sold or placed in an auction. Using a very conservative estimate, as two of the packers are new, a one-time revenue enhancement of approximately \$200,000 would be realized.**

**One-time Revenue Enhancement: \$200,000**

**Additionally, the team recommends that the township seek reimbursement from the public school system for the collection service presently being provided. Using data provided by the public works department, approximately 312 tons of waste is collected annually from the schools. The tipping fee reimbursement for this volume of waste is \$22,776. The collection expense, using the townships current rate of \$64 per ton, would be \$19,968.**

**Revenue Enhancement: \$42,744**

### **Recycling**

The public works department provides recycling services to all township residences, schools, campgrounds, and commercial properties. This includes approximately 13,309 households, 197 commercial establishments, many bars, and restaurants throughout the township. Recyclable materials are collected bi-weekly with pick-up the same day as regular trash collection. The township is divided into five zones with one zone being collected each workday. Three vehicles with three-member crews provide residential collection service, while two vehicles each with one operator provide commercial pick-up service.

Typical recycled items include paper, magazines, cardboard, glass bottles, aluminum, tin cans, plastic, and aerosol cans. Used motor oil, anti-freeze, tires, and paint cans are not accepted. The team reviewed reports compiled by the CMCMUA analyzing the percentage of recycled materials diverted from the waste stream. Since 1998, the township has ranked 15<sup>th</sup> of the 16 municipalities in the county with the percentage of recycled materials. In 1998, 21.82% was recycled, in 1999, 20.88% and through May of 2000, 21.56%.

As the recycling operation is a bi-weekly service, this crew is assigned to other tasks during the non-recycling week. These functions include white goods collection at the end of each month, leaf collection in the spring and fall months, various street and road tasks, as well as assisting with the trash collection crews to fill vacancies.

The assistant superintendent supervises this operation. Ten full-time employees are assigned to the residential properties and two full-time employees provide commercial collection service. The 1999 salaries, wages, and full-benefit expense of the residential crews was \$343,426, including \$17,401 in overtime pay, while the personnel costs for the commercial drivers were \$87,975 with \$662 in overtime. Other expenses, including equipment parts, tires, uniforms, and fuel were \$42,440.

As with the solid waste expenses, capital equipment, maintenance costs, and reassigned employees time were not specifically budgeted in these recycling costs. Six heavy vehicles (four vehicles are valued at \$155,000 each and two at \$130,000) are assigned to the recycling operation. An estimated 10-year service life of this equipment equates to an annual expense of approximately \$88,000. The vehicle mechanics time, using the VE formula, would require approximately 50% of one full-time mechanic, costing \$28,700 in salary and direct benefits.

Lastly, the team estimates the reassignment of departmental employees to assist with this operation to be 1.5 FTE. This is considered to be a conservative estimate based upon the teams

review of attendance records. This annual expense would be \$48,000. The total non-budgeted expenses to this operation are estimated to be \$164,700. A summary of the recycling tonnage and the cost of collection is listed below:

	<b>1998</b>	<b>1999</b>	<b>2000-Sept.</b>
Tonnage	2,670	3,560	2,784
Collection Costs	\$625,361	\$655,024	--
Cost per Ton	\$234.21	\$183.99	
Cost per Household	\$46.42	\$48.63	

The team concludes that the costs to provide municipal household and commercial recycling collection service are excessive. The collection costs of \$183.99 per ton far exceed rates of \$70 to \$75 per ton collected in other south Jersey communities. While realizing the service is bi-weekly and that other public works functions are performed during the non-collection weeks, 50% of the collection costs expenses still equate to approximately \$92 per ton.

### **Recommendations:**

The team recommends that the township prepare detailed specifications for the collection of household recycling and solicit sealed bids. Options can include commercial collection service, as well as the weekly pick up of materials. As with the solid waste operation, a review and analysis of bids will greatly assist the township in determining the most cost-effective manner to provide this service. Using the most conservative estimates, the township can save \$17 per ton on collection costs. Based on the 1999 tonnage, the cost savings would be approximately \$60,520.

**Cost Savings: \$60,520**

While this would result in a reduction of approximately one-half of the workforce in this division, it would enable this operation to devote full-time to the tasks that are presently being accomplished during the off weeks.

An additional revenue enhancement would be realized with the outsourcing of this operation, as the equipment presently being utilized would no longer be needed. Six vehicles are currently used for this service. The team recommends that four of the vehicles be sold or auctioned. As these pieces of equipment are in good condition, the township should realize between \$100,000 and \$125,000 in revenue enhancement from this sale.

**One-time Revenue Enhancement: \$100,000 - \$125,000**

The team recommends that the township develop an ongoing recycling educational program using the school system, senior centers, and other community organizations to improve the public awareness as to the benefits of recycling. The township has the second highest volume of solid waste flow in the county, but has the second lowest participation in waste stream diversion or recycling. Greater participation in recycling means potential savings in solid waste collection and tipping fees.

**Additionally, the team recommends that an effort be made to determine the volume of materials collected from the school system in an effort to be reimbursed for collection costs.**

### **Convenience Center**

The township provides a drop-off center for residential use. The center is open five days a week, Thursday through Monday from 7 a.m. to 2:45 p.m. and is located at the public works facility at Seashore Road in Cold Springs. There is a clearly defined policy and procedure from which the center operates indicating who is eligible, days and hours of operation, and what items are permitted. The facility is for only residents of the township. Individuals must present a document verifying residency at which time they will receive a permit sticker to use the facility. This sticker is issued at the center and the information required is maintained in manual records. There is no charge to use the center. Commercial use of the center is prohibited. Acceptable items include:

- household trash;
- glass bottles;
- aluminum and tin cans;
- paper and cardboard;
- metal and white goods;
- air conditioners;
- car batteries;
- propane bottles; and
- leaves and branches.

Residents may use the facility as often as they desire. There are eight clearly defined containers indicating where to dump their debris.

To provide this service, the township owns 19 trash containers and uses two roll-off trucks to take the containers to the CMCMUA. Two public works employees are assigned to this operation. One greets residents as they enter the facility to ensure that they have a sticker and to direct them to the proper dumpster. He also provides assistance if it is needed. The other employee is responsible for transporting the various containers to the county facility. As was previously mentioned, the township provides service to all commercial establishments. The convenience center driver also collects and transports trash containers from four campgrounds located in the township.

Campground recycling is collected by the commercial recycling crew. Additionally, from May through September, one of the employees empties the trash containers at Ferry beach pavilions at 3 p.m. on Saturdays and Sundays. This is due to heavy tourist use at this time of the year. The 1999 salary and benefit expense of the center was \$86,975, including \$1,652 in overtime pay. The volumes of waste collected and tipping fee costs associated with the convenience center and the campground services are listed below.

**Solid Waste  
Convenience Center**

	<b>1998</b>	<b>1999</b>	<b>2000-Sept.</b>
Convenience Center: Tonnage	1,162.07	1,169.28	1,059.6
Convenience Center: Tipping Fees	\$96,161.29	\$89,426.53	\$77,350.80
Campgrounds: Tonnage	77.23 tons	230.5 tons	246.87 tons
Campgrounds: Tipping Fees	\$6,390.79	\$17,628.64	\$18,021.51

**Recycling  
Convenience Center**

	<b>1998</b>	<b>1999</b>	<b>2000</b>
Glass	378.67 tons	88.88 tons	78.05 tons
Paper	758.26 tons	275.24 tons	180.09 tons
Total Recycled	1,136.93 tons	364.12 tons	258.14 tons

The team observed that this facility was in constant use by residents. A request was made to review information or records documenting the use of the facility, however, there are no such records. The employee assigned to the facility indicated that approximately 150 residents use the center daily during the off-season. As this community has many seasonal residents, the use increases to approximately 300 during the summer months. Further, he advised that as many as 500 individuals use the center on Saturdays and/or Sundays. The team interviewed several residents and, even though there is weekly trash collection, bi-weekly recycling pick-up, and other monthly curbside service, it was the unanimous opinion that the center was of great service to them and assists the residents in keeping their properties neat and clean.

**Recommendations:**

The team commends the township for offering this convenience center to the township residents and considers this operation to be a “best practice” service. The hours of operation are a major reason for the center’s high usage. Many individuals are seasonal residents and use their homes during the weekends. The fact that the center is available on Saturday and Sunday enables these residents to dispose of their trash and debris before they return to their full-time residences.

The team also commends the township for providing this weekend service without accruing employee overtime costs. Management was successful in establishing a flexible work week schedule based on demand and need, thus avoiding overtime expense.

The team recommends that a procedure be established to enable the department to document the use of the center, including the name of the resident, day, time and type of debris. This information will be useful in planning the future use, hours of operation, and volumes of waste in the event that service demands change.

At present, the township provides solid waste and recycling collection service to four campgrounds. As the volume of waste collected from the campgrounds is currently being



**documented and the township is paying the tipping fees for this waste, the team recommends the township collect the cost of tipping fees from the campgrounds. The volume of waste is significant; in 1999, 230.5 tons cost the township \$17,629 in tipping fees, while in 2000, 246.87 tons were collected at a cost of \$18,022.**

**Revenue Enhancement: \$18,022**

## **Roads**

The departments roads division is divided into two sections. The road drainage/maintenance crew and the road capital crew. One supervisor manages the two sections. The road drainage/maintenance crew is comprised of six employees. This crew does minor drainage repairs, patches potholes, cleans curb lines, does street sweeping, and fills in for the trash and recycling operations when needed. The 1999 salaries, wages, and direct benefit expense of this crew was \$263,903, \$10,681 of which was overtime.

The road capital crew has eight employees and is responsible for major roadwork, drainage installation, paving, and general road improvements. This crew is quite unique in that they are full-time township employees performing road improvement/paving work that is usually done by the private sector. All the road improvement activity, including grading, excavation, drainage improvements, resetting valve boxes, concrete curbing, trimming, saw-cutting, manhole work, sweeping, and restoration work, is completed in-house by this crew. The public works department has the necessary equipment to perform all the tasks of a road improvement crew. An asphalt paving machine, two rollers, tandem dump trucks, street sweeper, loader, backhoe, and other equipment required for this work was funded through previous bond ordinances. During 1999, there were three active bond ordinances used to fund the road improvement program;

- Bond Ordinance #95-10
  - Original amount-\$1,730,000 - 1999 expenditure, \$1,651.29
- Bond Ordinance #96-1
  - Original amount-\$2,530,000 - 1999 expenditure, \$57,168.90
- Bond Ordinance #99-7
  - Original amount-\$1,230,000 - 1999 expenditure, \$915,464.13

The total cost of the road paving operation in 1999 was \$974,284. Expenditures included \$568,124 for asphalt, \$49,553 for engineering services, \$68,813 for other materials and supplies, and \$287,792 for salary and wages. The actual payroll expense of this crew in 1999 was \$453,878, including direct benefits. The balance of the payroll expense was charged to the general operating budget. The road capital crew earned \$32,113 in overtime pay during this period.

The team reviewed documentation of the paving operation from 1998 through August of 2000. This information included the length (linear feet) of the paved roads and the tonnage of asphalt used to make the improvements.

	<b>1998</b>	<b>1999</b>	<b>2000-Aug.</b>
Linear Feet	65,523	57,957	30,731
Tonnage of Asphalt	32,706	31,115	16,027
Miles Paved	12.4	10.9	5.82
Tons per Mile	2,638	2,854	2,754

The team observed the paving crew in operation. They were very well organized, with each worker assigned a task as part of the paving process. The quality of the finished product was very comparable to that of an outside contractor. The overall cost of the capital paving crew, and the finished product are equivalent to the cost of outsourcing this work.

### **Recommendations:**

**The team commends the township for initiating this in-house paving crew operation. The paving crew has all the necessary equipment and expertise to perform this task. The quality of the work of this division is very comparable to the private sector. The overall cost of \$80,000 - \$90,000 per road improvement mile is competitive. The team considers this program to be a “ best-practice” operation.**

**The continuation of this program is contingent on future funding. As the township has acquired the paving equipment and the workforce has several years of on-the-job experience, it is recommended that the township extend this operation and consider providing this program to other government entities. The development of a rate schedule to cover all the operational expenses is recommended.**

## **RECREATION**

The recreation department has eight full-time and approximately 12 part-time employees. The organization is comprised of a superintendent, an assistant superintendent, a senior clerk typist, a full-time senior citizen program aide, four full-time groundkeepers, and several part-time recreation aides, instructors, and pool lifeguards. The department is responsible for organizing; coordinating and monitoring all township sponsored youth activities, athletic leagues and senior citizens programs. The wide ranging programs are held at the township recreation center, the Millman senior center, public school facilities, and various township parks and fields. The department offices are in the recreation center located in the township hall complex.

### **Financial**

The cost of the recreation department activities and grounds maintenance operations in 1999 was \$442,595. Of this amount, personnel costs were \$357,895 in salary, wages, and direct benefits, including \$13,695 in overtime. Other expenditures for the department were \$84,700. Program revenues, from user fees, totaled \$49,122 in 1999.

### **Operations and Management Control**

The mission statement provided by the superintendent states, “the Department of Parks and Recreation is responsible for the quality of life through planning, organizing, and administering a

comprehensive recreational and park service for the entire community.” Through this statement, the department has developed a three-year recreational master plan for the years 2000-2002. This plan clearly states the goals and objectives of the department, includes an inventory of existing facilities and parks and presents program data by season and geographic participation. The plan also projects future program and facility requirements of the department. Cost estimates of proposed facility improvements were also included in the plan.

### **Recommendation:**

**The team commends the department for its foresight in developing this plan with the expectations of the future needs of the township. However, it is recommended that this plan proceed additionally to study the current user fee schedule and develop a more flexible, program specific, schedule. The team considers this plan a “best practices” endeavor.**

The recreation department provides an expanded level of services and activities from athletics, leisure time activities, arts and crafts, tournaments, and special events for township residents and members of neighboring communities. The department is responsible for organizing and scheduling all services and events, conducting enrollment and registration, collecting program user fees, providing equipment and supplies, and in many cases provides the staffing.

Located behind township hall, the recreation center is the focal point of operations for all programs and services. The regular office hours of the center are from 7 a.m. until 4:30 p.m., Monday through Friday. All employees, including groundkeepers, report to the center for their work assignments. Time sheets are maintained manually, as there is no time clock available.

All program participants must pre-register for the department’s activities at the center. To accommodate this requirement, the center has extended hours of operation. Monday through Friday the center is open until 10 p.m., Saturday hours are 10 a.m. to 10 p.m., and Sunday hours are 12 noon until 8 p.m. Part-time recreational aides work the extended hours to accommodate potential program participants.

### **Programs and Activities**

The department has developed a schedule of programs and activities to benefit all age categories and meet the seasonal needs of the residents. A well-organized process is in place to ensure proper registration, record participation, monitor instruction, and evaluate specific program results. Using this data, popular programs are continued while unsuccessful programs are terminated.

### **Program Enrollment Procedures:**

- Registration must be made prior to participating in any Lower Township recreational activity or program. The registration form contains basic personal data with emergency medical and contact information. Specific program rules and regulations are listed.

- Residents of the township have a priority registration period of usually one to two weeks prior to open registration. After that period, registrations are on a first-come, first-serve basis.
- Enrollment limitations have been placed on the enrollment of some of the programs and activities to assure quality instruction.
- Program fees are listed separately for township residents and non-township residents. Fees for township residents are less as they are making a significant contribution through property taxes.

## **Volunteers**

The staff of approximately 20 full-time and part-time employees provides the organization and instruction for many of the classes and activities. In addition to paid staff, the department relies upon volunteers for special activities, specific youth classes, and all of the athletic events. During 1999, 355 volunteers were actively involved in recreational activities. These volunteers provided invaluable assistance in making the department's calendar of activities a success.

Correspondingly, as the use of volunteers expanded the department's schedule of activities, the number of participants has increased. During 1998, 2,601 individuals participated in the recreational activities. In 1999, participation increased to 3,400, due in part to the opening of the skateboard park. Additionally, senior citizens groups and organizations use the Millman Center on a daily basis. Approximately 1,215 seniors participate in these activities.

A summary of the specific programs and available to the township residents includes:

- Leagues - various competitive leagues are available for baseball, softball, football, basketball, and soccer in both the township and the county. Additionally, cheerleading competitions are held. Over 135 adults volunteer to coach the various teams. The township requires that *all* coaches receive certification from NYSCA, National Youth Sports Coaches Association. The superintendent and the assistant are certified instructors.
- Clubs, clinics, and camps - instructional opportunities are available in field hockey, basketball, cheerleading, tennis, wrestling, soccer, swimming, tumbling, and judo.
- Classes - numerous classes for all age groups are offered in ceramics and arts and crafts. Aerobics, aqua aerobics, and exercise classes are also available.
- Special events - fishing tournaments, Halloween activities, festivals, running events, and workshops have become annual functions.

Listed below is a summary of the participation of three popular programs from 1997 through 1999:

	<b>1997</b>	<b>1998</b>	<b>1999</b>
Soccer	347	312	389
Football	142	161	171
Cheerleading	161	124	145

**The department should be commended for its wide-range of recreational activity that is available to township residents of all ages. The success of these opportunities is due largely in part to the number of volunteers that assist the department in providing these services.**

### **Facilities**

There are limited township facilities to provide the wide variety of programs that are presently being offered.

- The recreation center, which is the central office, has a gymnasium, a weight room, and several other areas for use. The center is open seven days a week.
- The Millman Center serves as the senior center, but is also used by 19 groups throughout the year. This facility is open seven days a week.
- The township outdoor pool is used during the summer months, seven days a week.
- The skateboard park, located adjacent to the recreation center, is available seven days a week during day light hours.
- The township has six parks with limited space for outdoor use.

The department relies heavily upon the school district for the use of their facilities to provide many of the activities and programs. The use of the school's athletic fields is important to the success of the youth sports programs.

There is excellent cooperation between township recreation department and the local school district for the use of facilities. However, as the programs continue to expand and the participation increases, the activities may outgrow the existing facilities. This issue has been addressed in the department's master plan. As stated in objective #2 of the plan: "the township shall acquire open space land to be developed as athletic fields to relieve the dependency of use of the school athletic fields..."

### **Grounds Maintenance**

There are four full-time employees performing ground maintenance for the department. In 1999, the salary, wages, and direct health benefits were \$129,052, including \$7,496 in overtime compensation.

The work responsibilities of this crew vary and include a wide range of functions. The activities are: routine maintenance, minor repairs, and cleaning tasks of the recreation buildings, grounds and equipment. The facilities include the recreation center, the pool, and various restrooms and clubhouses at the township parks. The crew is responsible for many outdoor functions, such as grass cutting, weeding, trimming, raking leaves, watering flowers, emptying trash cans, fertilizing, and marking athletic fields. Additional duties involve cleaning the outdoor pool during summer use and shoveling snow as needed.

A private contractor maintains the Millman Center. The public works department is responsible for most maintenance and repair work.

## **Recommendations:**

The groundskeepers have a busy schedule during the extended summer season with the outdoor maintenance of the various township buildings and grounds. In fact, the staff of four may be insufficient to perform the tasks necessary to provide the timely completion of the required work. However, since the workload is largely seasonal with greatly reduced activities during the fall and winter months, the team recommends that the staff be reduced to two full-time employees.

To more efficiently provide the workforce to meet the seasonal needs of the department, the team recommends that three seasonal employees be hired. The seasonal part-time workers should be employed for a six month period beginning in March and/or April (hire two in March and one in April) and thus be available when the workload is the greatest. This reduction in the workforce will result in cost savings of approximately \$64,526, including \$17,400 in direct benefit expenses. The addition of three seasonal employees will increase the labor force of the department to meet the summer demands at an estimated cost of \$31,200. This figure is based on a 40-hour workweek at \$10 per hour. The net cost savings would be \$33,326.

**Cost Savings: \$33,326**

## **B. MUNICIPAL UTILITIES AUTHORITY**

The Township of Lower Municipal Utilities Authority provides sewer and water service to heavily populated portions of the township. In addition to water distribution and sewer collection systems, the authority also operates a sewer processing plant. In 1999, the authority had 4,437 water accounts and 11,243 sewer accounts. The sewer plant, administrative offices, and marshaling yard are consolidated in a single location.

A five-member board of commissioners governs the authority. The township council appoints the commissioners to the board for staggered five-year terms. Each year, the board selects from its members a chairman who presides over meetings. The commissioner's members are also assigned the titles of vice-chairperson, treasurer and the remainder of the board designated as regular board members.

The board approves budgets, sets rate schedules, and approves policies lying within its statutory purviews. At the time of the review, each commissioner received a salary of \$1,200 per year with no health benefits. The authority usually conducts its regular meeting on a monthly basis.

### **Organization**

The authority has an executive director who is responsible for the daily management of authority operations. An office manager supervises billing and administrative activities and serves as secretary to the governing body. A superintendent supervises plant and field operations. The authority relies on contracted professionals for legal, engineering, and auditing services.

## **Management Overview**

Generally, the team found authority officials to be very cost conscious, as indicated by the numerous efforts to complete capital improvements through in-house labor and seeking other innovative measures to reduce costs. Authority officials are proud of the fact that utility rates have not increased in 10 years. The governing body and staff were especially concerned with the impact of sewer and water rates on low-income residents and senior citizens.

The team's review of the authority found several areas needing improvement in its management practices. The authority has no bylaws governing the administrative operations of the authority. This has resulted in discord and confusion over the roles of the governing body and staff in the management of the authority. Board members expressed concerns over various employment practices, yet no policies were implemented to address these matters. Despite the need for close collaboration in authority capital projects, communication between the authority professionals and staff is minimal.

Furthermore, the team found the authority's level of record-keeping and financial analysis also to be in need of improvement. Major operational and capital proposals are not adequately planned to ensure feasibility and financial solvency. Several major initiatives requiring substantial appropriation of authority funds are not properly researched by either authority staff or board professionals. Additionally, the lack of an assessment of infrastructure, expansion plans, and subsequent financial planning has resulted in an inability to provide major policy direction to the authority.

The authority budgeting practices are also in need of improvement. Overexpenditures are a routine occurrence and no professional or staff member, until recently, seemed to raise concerns over this practice. Many of the financial records are maintained manually and are not properly organized to be of significant management value.

## **Recommendations:**

**It is recommended that the authority adopt a set of bylaws to govern its activities. The bylaws should clearly define the duties of each board member and principal staff. The bylaws should also define the duties of the executive director and clearly delineate between the daily management role of the executive director and the policy-making powers of the board.**

**It is further recommended that the authority review its record keeping and attempt to automate wherever possible. In addition to better financial record keeping, a comprehensive management information system provides valuable analytical tools to achieve efficiencies in plant and field operations through better management and improved allocation of resources.**

## **Finance**

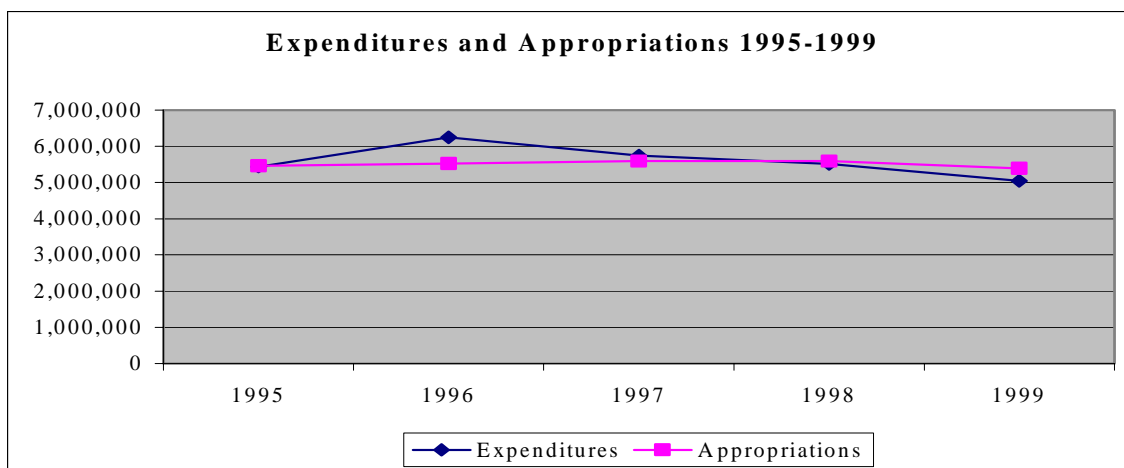
The authority has no staff member specifically performing in the role of chief financial officer. The governing body designates one of its members as treasurer; however, the position primarily involves cursory review over payroll and vendor billings and performs no significant financial

management function. The executive director prepares the budget with minimal assistance from other staff or the auditor. The office staff provides utility billing, revenue collection, and accounts payable functions.

### **Budget**

In 1999, the authority budget was \$5,748,502. The authority's budget year runs from December 1<sup>st</sup> to November 30<sup>th</sup>. Discussions with authority officials indicated pride in the fact that rate schedules had not changed in 10 years. The team's analysis of the authority's budget trends generally confirms a stable budget history with yearly increases averaging approximately 1.36% from 1995-1999.

A concern of the team is the level of overexpenditures occurring over a series of years. In 1996 and 1997, audits indicate that total expenditures exceeded appropriations. In 2000, the authority faced a rupture of an underwater sewer line and a collapsed main feeder line to its sewer processing plant. It is projected that these events will probably result in another year of actual expenditures exceeding the budgeted amount. The table below illustrates the levels of over expenditures occurring from 1995-1999.



The authority had to use retained earnings to pay for the overexpenditures of its budget lines.

Discussions with authority staff indicated that it previously monitored its accounts through check disbursements rather than encumbrances. At the time of the review, the authority was implementing an encumbrance reporting system to more accurately measure its financial position.

### **Recommendation:**

**In addition to improvements in financial reporting systems, it is recommended that the authority better research its budget history to provide a more accurate appraisal of its financial needs. Recommendations are also included in the capital budget section of this report to reduce the number of emergent incidents requiring unplanned expenditures of funds.**



## **Financial Management Controls**

The team has concerns over the level of detail in the authority's budget reporting format. The team reviewed revenues and expenditures to determine whether the authority's sewer and water revenues covered the costs of providing these services. In determining the appropriateness of the authority's fee schedule, the team attempted to identify separate cost centers as they relate to the provision of sewer and water services. The authority budget and audit data does not explicitly identify water and sewer expenditures.

Through monthly revenue reports, the team was able to identify separate water and sewer revenues; however, we were not able to relate them to corresponding cost centers. The team's review of the authority's detailed budget line items found explicit costs for water and sewer operating crews, but no differentiation for other expenditures, such as utilities, debt service, and other major expenses. Furthermore, the central administrative salaries and related costs were not apportioned to sewer and water expenses. Indirect personnel costs, such as health insurance and social security expenses, should also be differentiated between the two separate cost centers.

The proper alignment of cost and revenue centers for each category of utility service is a fundamental tool in financial management. Differentiated sewer and water budget line items enable the authority to accurately determine the cost of services and adopt a fee schedule that generates sufficient revenues to cover the cost of services. Insufficient information regarding the matching of revenues with expenditures can result in anomalies in the rate structure. This lack of alignment can result in revenues from one utility subsidizing the other or in inequities among different classifications of ratepayers. With a ratio of approximately two sewer accounts to one water account, the need to differentiate these costs and adjust fee schedules becomes more imperative.

## **Recommendation:**

**It is recommended that the authority implement a more detailed chart of accounts to differentiate the costs of sewer and water service. In preparing the new budget, the authority should use a rational system to apportion the costs, such as the number of water and sewer accounts, to determine the costs of administrative staff and meter data to determine the relative electrical costs of water and sewer service.**

## **Debt Service and Capital Budgeting**

Capital planning and debt service management are key elements in establishing service reliability and financial stability. A lack of planning or deferrals in necessary infrastructure investment can cause disruption in services due to system failure and rate increases to pay for emergent repairs. Ideally, utilities should have long range capital plans identifying both upgrades to the existing system and any expansion plans to new service areas.

Debt service is the greatest single category of expenditure in the authority, amounting to approximately 32% of the 1999 budget. In 1999, the total debt was \$19,412,780. Expenditure payments for debt service were \$1,612,706, of which \$711,280 was paid in principle and \$901,426 in interest. The team reviewed the authority's budget plan for the improvement of the

authority's infrastructure and purchase of other capital assets. The authority budget appropriates funds for only the immediate budget year and does not project capital purchases for the next five years.

The team requested infrastructure assessments or other planning documents from the authority to determine the anticipated capital upgrades required in future years. At present, the authority does not have a comprehensive plan for infrastructure investment or service expansion. Discussions with board and staff members indicated considerable differences in regard to the feasibility of expansion and the need for infrastructure upgrades.

### **Recommendation:**

**It is recommended that the authority prepare a comprehensive capital plan. With the improvements in accounting mentioned in the section above, the authority should be able to accurately determine future capital investment, operating costs, and the resulting impact on the water and sewer rates.**

### **Refunding Bonds**

The authority issued a series of three refunding bonds in the 1990s. The purpose of refunding bonds is to refinance existing debt to take advantage of lower interest rates in the bond market. The authority issued its latest refunding bond in 1998 for a 1972 Series Revenue Bond. A range of 1-2% reduced the interest rate of the refunding bonds over the remaining 15 years of the debt service schedule. The team calculated interest savings of \$579,594 over the life of the bond.

**The authority is commended for its efforts to reduce costs through appropriate use of refunding bonds.**

### **Mandatory Connections**

The township requires a mandatory connection to sewer service. Connection to water service is mandatory in areas of saltwater intrusion and optional in other water service areas. Discussions with authority staff indicated concerns regarding the permissive enforcement of mandatory sewer connections and the lack of a mandatory connection provision for all water projects. During the review, approximately 22% of potential customers in new service areas remained unconnected. As the table below indicates, a significant number of homes fail to connect to utility service:

	<b>Connected</b>	<b>Unconnected</b>	<b>Total</b>
Ridgewood Avenue	14	61	75
Crawford Road	3	13	16
Long Brothers	45	83	128
Willow Drive	20	11	31
Villas Water	708	50	758
Total	790	218	1,008

The cost in forgone connection fees is \$259,042 and an estimated \$51,859 in lost water and sewer revenue. By not enforcing mandatory connections for sewer and allowing water service connections to be optional, the cost of these expansion projects is paid by the rest of the water and sewer ratepayers.

The team is also concerned about the health and safety consequences of residents who are not connected to the utility systems. Discussions with authority officials indicated that residents are still using private wells in areas of contamination. It is imperative for public health reasons that these residents connect to the water distribution.

### **Recommendations:**

**It is recommended that the township mandate connection to all public water and sewer service and aggressively enforces the ordinance. In response to concerns regarding the financial impact of connection fees on low-income residents, the authority already has an installment payment plan.**

**One-time Revenue Enhancement: \$259,042**

**Recurring Revenue Enhancement: \$51,859**

**The authority and township should additionally consider joint planning to utilize the township grants coordinator for grants to pay the costs of service connections through the State of New Jersey's Small Cities Grant program. If there is no enforcement of mandatory connections, it is recommended that the authority place a moratorium on further expansion of the sewer collection or water distribution systems.**

### **Cash Management**

The team reviewed the authority's cash management practices, in order to determine if it was maximizing its interest earnings while adhering to sound business practices. The executive director, who is responsible for investment decisions and any changes to the banking partner arrangement, handles all cash management functions. The authority maintains its cash balances with three different banks. The principal account clerk prepares the bank account reconciliations.

### **Banking Services**

The authority uses a single bank for its operating, payroll, and unemployment accounts. The operating and payroll accounts do not earn interest and the unemployment account earns approximately 2.7% interest. The authority has a revenue fund account with another bank, which earns about 3.25%, and two accounts with a third bank, which earn 3% and 3¾%. There are no formalized agreements between the authority and the banks.

The authority does not utilize on-line banking services. On-line banking services are typically used for wire transfers, balance reporting, etc. and provide an efficient means of transferring funds as well as managing cash flows.

**Recommendation:**

The team recommends that the authority solicit competitive bids through a Request for Proposal (RFP) from several financial institutions. This proposal should clearly define interest rates, required compensating balances, reserve requirements, and all service and per unit charges. This will enable the authority to make a comparison of services and related costs to ensure the best value for banking services.

The authority should choose a banking partner based on the overall performance factors listed below:

1. convenience;
2. level of sophistication;
3. array of services;
4. return on cash holdings;
5. cost of the most frequently used services;
6. accessibility to banking representatives;
7. branch locations and construction plans; and
8. community reinvestment.

In addition, the authority should execute written contracts with its banking institutions to specify the terms and conditions of the banking agreement.

**Account Analysis**

The banks did not provide an account analysis, nor was the average daily balance indicated on most monthly statements. In order to determine the average daily balance, we utilized interest earnings and the stated interest rate to calculate the average daily balances.

The average daily balance for all accounts was approximately \$817,000 for the year. This balance did not include the various trust accounts maintained by the authority. Our analysis included a comparison of interest earned by the authority to the potential earnings of investments through the New Jersey Cash Management Fund (NJCMF), as well as the 91-day T-Bill. These amounts were \$14,269 of actual earnings, \$40,000 for NJCMF, and \$37,000 for the 91-day T-Bill. This comparison indicates that the authority could have earned a more competitive rate of interest on its cash balances.

**Recommendation:**

We recommend that the authority negotiate a more competitive interest earnings rate on all their checking and savings accounts.

**Revenue Enhancement: \$20,000 - \$25,000**

The team also analyzed the trust accounts balances and interest earnings to determine whether the authority was maximizing its interest earnings and minimizing its service fees. The authority maintained nine trust accounts in 1999. One of the accounts was established as an irrevocable trust and neither the assets nor the liabilities were reflected on the authority's financial

statements. Therefore, the earnings and associated fees on this account were not included in our analysis. The average aggregate balance on the other eight trust accounts was approximately \$6 million. The authority earned about 3.5% on these funds, which totaled \$218,000 after deducting sweep fees.

### **Recommendation:**

**The authority should consider investing the trust fund balances in more aggressive investment vehicles. The New Jersey Cash Management Fund averaged about 4.9% and the 91-day T-Bill rate was approximately 4.5% during 1999. Based on these and other like investments, the authority could have earned significantly more interest income.**

**Revenue Enhancement: \$50,000**

### **Personnel**

Personnel costs constitute a major portion of the authority's operating budget. The authority's staffing consists of 25 full-time employees, three part-time employees, and five board members. The authority solicitor receives a portion of his compensation in the form of salary. Presently, two bargaining units represent authority employees, consisting of the Plant Personnel Employee Group and the Office Personnel Bargaining Unit.

Generally, a collective bargaining agreement governs the terms and conditions of employment for authority employees. The document reviewed by the team consisted of a resolution granting a multi-year series of percentage salary increases attached to the authority's personnel policy. A review of authority employment policies indicated relatively comparable benefits with other collective bargaining agreements in the area.

### **Working Hours**

Working hours play an important role in determining staffing levels for various functions. The amount of staffing required to perform a function is generally computed by the number of hours available from each employee. Field and plant employees work a standard 40-hour week. One area of concern is the working hours for the authority's clerical employees. Presently, clerical employees work 30-hour weeks with health benefits. Generally, LGBR has found municipal clerical employees typically working at least a 35-hour week in local governments throughout the state.

A concern of the team is a contract provision mandating a standard workweek from Monday-Friday. Due to the need to complete plant and field activities seven days a week, the authority pay two employees overtime to work Saturdays and Sundays.

### **Recommendations:**

**It is recommended that the authority negotiate a 35-hour week for its office staff. With the gain of 1,300 additional hours available for office functions, the team calculates that the authority would be able to eliminate one full-time clerical position.**

**The authority should aggressively negotiate working hours with minimal or no increase in hourly compensation. The team's analysis of compensation levels for equivalent administrative titles indicated that the authority's clerical position values are approximately \$10,000 higher than the township's 35-hour finance personnel.**

**Potential Cost Savings: \$30,000**

### **Personnel Policies**

The authority's personnel policies date from at least 1992, with contractual raises and adjustments to benefits altered by authority resolutions passed in 1996. The team's review of personnel policies found the policies to be extensive, but requiring updated information. New employment regulations covering the Americans with Disabilities Act, the Family and Medical Leave Act, and the Conscientious Employee Protection Act were not covered in the personnel policies. The inclusion of these labor regulations into the authority's policies is an important factor in reducing the authority's exposure to employment practices liability.

### **Recommendation:**

**It is recommended that the authority update the personnel policy manual to reflect recent changes in employment law and regulations. The authority should collaborate with the township which is also in the process of preparing a personnel policy manual for its employees. Many of the same provisions in the township manual can be modified for use in the authority's policies.**

### **Longevity**

The authority pays longevity to employees hired before March 14, 1990. Employees hired after that date are not eligible for these payments. Longevity payments are computed by using a percentage of salary based upon years of service. Pursuant to the collective bargaining agreement, longevity payments are limited to a maximum of \$2,000 of annual income. The table below illustrates the authority's longevity payment plan:

<b>Completed Years of Service</b>	<b>Longevity as Percentage of Salary</b>
5	2%
10	4%
15	6%
20	8%
25	10%

### **Recommendation:**

**The authority is commended for eliminating longevity pay for newly hired employees.**

**To reduce the multiplier effect of yearly percentage salary increases on longevity payments, the team recommends that the authority try to negotiate lump sum payments instead of percentage of salary.**

### **Sick Leave**

The authority provides payments for unused sick leave at retirement. Upon retirement, employees may select one of two options. They may take up to 120 days as a terminal leave in which they stay on the payroll and continue to receive health benefits. The second option is to receive a lump sum payment for half of all the accrued sick leave.

### **Recommendation:**

**It is recommended that the authority negotiate a \$15,000 cap on sick leave for retiring employees. Due to the small size of the workforce, no immediate cost savings will probably be realized. However, future cost savings would be considerable as salaries and sick leave balances continue to grow.**

## **OFFICE OPERATIONS**

Six employees staff the authority's administrative office, consisting of an office supervisor, a computer operator, and four clerks. The office supervisor is a 24-year employee who has been in the supervisory position since 1998. Her duties include oversight of the office staff, interaction with the executive director, and some payroll functions. She also serves as board secretary to the governing body. The computer operator is responsible for data input and generation of reports for revenues and expenditures. One of the clerical staff is the recording secretary to the board. She is compensated hourly for meeting attendance and preparing meeting minutes in addition to her regular salary. Reconciliation of bank statements, collection of fees, fielding telephone calls, billing, and the remaining staff handles various other duties.

Sewer service is billed annually with payments due quarterly in January, April, July, and October. Water is billed quarterly and due in February, May, August, and November. In 2000, there were 4,541 water billing accounts and 11,463 sewer accounts. The authority utilizes two different vendors to assist with the generation of sewer billings. One vendor is used to fold the sewer bill and another is used to insert the invoice into an envelope.

In 1999, the personnel expenditures for the administrative office were over \$300,000. This represented actual salary paid to the employees, as well as the cost of medical benefits and payroll taxes. Other expenses were \$50,356.

The team observed operations and interviewed various staff members. Based on the present workload and scope of duties, the office appears to be overstaffed. This does not take into consideration that office employees work only 30 hours per week. With an increase in the number of hours in the workday, additional reduction in staff could be achieved. In addition, these recommendations are made without any automation enhancements to increase the efficiency of the administrative office.

The team identified several critical areas requiring improvement. The most important area is the lack of financial expertise. None of the office staff have any formal accounting or finance training. In addition, there is minimal usage of computers. The authority utilizes a software

package which provides basic finance reporting, however, all supporting documentation, including journal entries, are handwritten. The staff does not use spreadsheets for revenue tracking, bank reconciliations, or other finance functions, and all correspondence is typewritten. The office functions are extremely labor intensive and very inefficient. In addition, we observed redundancies for several processes. With the decreasing costs for computer hardware and software, it would be extremely cost effective to automate all of these administrative functions. This would facilitate reduction of office staff.

The administrative office generated 769 purchase orders in 1999. The authority does not utilize the county cooperative for purchases. It has not solicited proposals for payroll services, banking services, or computer software services in several years. In general, there has been no effort to minimize operational costs in the administrative office by soliciting quotations for these services.

### **Recommendations:**

**The team recommends that all functions handled by the office administration be transferred to the township department of revenue and finance. The township finance office is headed by a Certified Municipal Finance Officer (CMFO). The township's finance office is equipped with an office software system for routine spreadsheet and word processing functions. Based on our review of the township's finance office, we conclude it is capable of taking on the function the authority's administrative office with the addition of three existing employees.**

**The township's tax collection office can incorporate the functions of utility billing and collection into its operations. This would require the integration of the water and sewer accounts into the township's tax collection system. The township's tax bills are printed with bar codes that provide electronic information, such as the block and lot of the parcel, ownership information, and taxes due. When payment is made, the returned bill is scanned, the payment is compared to the amount due and, if no changes are required, the payment is recorded with the push of a button. This technology is not utilized at the authority.**

**Additionally, the tax, sewer, and water bills could be mailed together to save postage. The township has a machine that folds invoices and inserts the documents into envelopes which would save the cost of these functions currently outsourced by the authority. Due to these technological enhancements, water and sewer cash receipts and billing could be accomplished with only one additional staff member in the township's tax collection office.**

**Two very capable employees currently process the township's payroll. Without additional personnel, these individuals could perform the authority's payroll functions. The finance office will need one or two additional staff members to adequately accomplish any additional workload currently performed by the authority's office staff.**

**To summarize, we recommend that with the transfer of two to three authority employees to the township's Department of Revenue and Finance, it should be able to accomplish all**



**tasks formerly performed by the authority's office staff. This is due to economies of scale, the elimination of redundant functions, and the utilization of more productive computer software.**

**Due to the expansion of the township's financial management role, the implementation of this recommendation will necessitate a reassignment of duties in the finance office. Some routine tasks (such as the reconciliation of bank statements) currently being performed by the CMFO will have to be delegated to other staff.**

**These recommendations would reduce the authority's office staff by three employees with the remaining three employees transferred to the township.**

**Cost Savings: \$110,000**

### **Minutes**

The team reviewed governing body minutes and found them to be produced in an acceptable amount of time. Presently, the office supervisor attends meetings with another clerical employee who functions as a recording secretary. The recording secretary prepares the minutes for approval by the governing body. The team's review of authority minutes indicated an extremely high level of detail approaching a transcript-level account of the meetings.

### **Recommendation:**

**It is recommended that the authority office supervisor attend the meetings without the other clerical employee. The office supervisor should prepare the notes and make audio recordings of governing body proceedings. The office staff should be able to prepare the minutes from the meeting notes with appropriate review from the executive director and office supervisor during regular working hours.**

**The preparation of minutes in this manner will enable the authority to eliminate payments for the clerical employee to attend these meetings.**

**Cost Savings: \$5,328**

## **PROFESSIONAL SERVICES**

Most local governments are too small to hire full-time employees to provide professional services and must instead contract for these services through private firms. Similarly, the authority has entered into three one-year professional service contracts with a solicitor, an auditor, and an engineer. Proper management of these services is an important tool in cost containment for the authority. Periodic solicitation of requests-for-proposals is an effective way to ensure a public entity is receiving the most competitive fee schedule for its professional services.

### **Legal**

The current solicitor has served the authority since February, 2000. The contract specifies an annual salary of \$19,084 as compensation for the following duties:

1. attendance at all regular and special meetings;
2. preparation and review of all required resolutions;
3. review and response to all legal correspondence; and
4. cooperation with bond counsel regarding all bond issues.

All other legal services required by the authority are billed at an hourly rate of \$125.

The contract states that in the event of a dispute over whether a service is covered in the annual salary of the solicitor, the opinion of the solicitor, in his sole and exclusive discretion, shall prevail and govern. The cost of the solicitor for fiscal year-end November 30, 1999 was \$19,489, which included salary as well as payroll taxes. The solicitor does not receive health benefits from the authority. Work performed which was not covered in the annual salary amounted to \$6,495 and was paid by voucher.

In practice, the attorney attends nearly every board meeting and drafts any resolutions requiring legal review. Our observations and the reports of those interviewed indicate that board meetings last approximately two to three hours. Annual increases for the solicitor are based on the employee's labor contract. In 2000, the solicitor received a 5% increase. With two weeks left in the fiscal year, invoices paid by voucher for 2000 were \$15,055. This significant increase over the prior year is associated with litigation.

#### **Recommendations:**

**The provision of the contract, which refers to disputes over whether a service is covered in the annual salary, should be revised or deleted. This provision protects only the interests of the solicitor.**

**In addition, the solicitor should be paid by voucher and not included in the authority's payroll. The functions and duties of the solicitor do not warrant the status of employee, which allows the solicitor to be included in the pension system. This will not translate to any current savings for the authority since there was no required employer contribution this year. In the future, however, as in the past, employer contributions may be required. LGBR recommends that all professional services be contracted with a retainer for meeting attendance and all other compensation be billed on a basis of time and material.**

#### **Engineering**

The authority's engineer was appointed in February, 2000. Prior to this appointment, the previous engineer had served the authority for several years. The engineer provides a wide variety of services, including engineering design, surveying, and environmental services. The agreement between the engineer and the authority includes a fee schedule containing hourly rates for various services provided by employees of the firm. The authority engineer charges an hourly rate of \$88.

In fiscal year 1999, payments to the engineer amounted to \$61,868. For the year 2000, the authority has paid \$60,109 to the current engineer and \$18,776 to its previous engineer for a project which he continues to service. The team reviewed the billing submitted by both

engineers. The current engineer bills in one-hour increments, while the previous engineer billed in half-hour increments. The billing contained the appropriate project name and the time expended.

### **Recommendation:**

**The authority should negotiate a provision in the next engineering contract to reduce the billing increments from a whole hour to a tenth of an hour. This change would reduce the average unit of billing from one hour to six minutes. This method of billing would be a more accurate measure of the time expended to perform tasks such as telephone conferences and other activities of relatively short duration. This new billing increment should generate significant savings for billed telephone conversations made by engineering professionals with high hourly rates. In addition, the invoices should specify a more detailed description of the work being completed.**

### **Auditing**

The authority has a long-term relationship with their current auditor. The auditor's primary duties include auditing the general-purpose financial statements and reviewing draft budgets. The fees for these services are based on actual time expended, however, the preliminary estimate in January, 2000 was \$25,500. Actual expenditures remitted to the firm were \$27,707 for 1999 and \$25,650 for 2000.

## **PLANT OPERATIONS**

Generally, the team found the operational component of the authority to be very flexible in responding to a wide variety of organizational missions. In addition to typical treatment and system maintenance functions, the field crews are active in construction of new utility lines and responded effectively to a series of major emergent repairs. A water/sewer utility supervisor manages the treatment plant and sewer collection and water distribution operations. This individual reports to the executive director. These operations are divided into four divisions; building security and maintenance, laboratory and treatment plant operations, sewer operations, and water operations.

### **Treatment Plant**

The laboratory manager is responsible for the building maintenance and treatment plant operations, which is comprised of seven full-time and three part-time employees. The collection and distribution operations are comprised of one supervisor and seven employees. Each function plays a significant role in the overall delivery of service to approximately 15,000 utility connections.

The building maintenance operation consists of three part-time employees. Their hours of operation are 3 p.m. to 11:30 p.m., Monday through Friday. On Saturdays and Sundays they cover two shifts, 7 a.m. to 3:30 p.m. and 3 p.m. to 11:30 p.m. Each individual works 24 hours per week and receives full health benefits, as well as sick leave and vacation time. The

responsibilities of these workers include janitorial tasks, plus answering the telephone for emergency calls. In 1999, the salary and wage expense, including direct health benefits, was \$65,862.

### **Recommendations:**

**The team recommends that the authority eliminate the three building maintenance positions. The apparent main function of these positions is to receive off-hour emergency calls for service. All calls for water/sewer related problems during evenings and weekends can be directed to the township's dispatch service to notify the appropriate MUA employees.**

**Cost Savings: \$65,862**

**The team recommends that an outside private contractor perform the janitorial/custodial functions. The authority should develop specifications and solicit price quotations for cleaning and maintaining the office facilities.**

**Value Added Expense: \$6,000**

### **Treatment Plant Operations**

Treatment plant operations consist of processing raw sewage and disposing of the resulting sludge byproducts. The resulting water from the treatment process is conveyed by the Cape May County Municipal Utility Authority for disposal to the ocean. A laboratory manager supervises plant operations. In addition to the manager, the plant is staffed with the following employees:

1. laboratory technician;
2. senior plant repairer;
3. plant repairer;
4. sludge machine operator;
5. equipment operator;
6. electrician; and
7. plant attendant.

The laboratory analysis must be completed seven days a week to comply with the operational effluent limitations and the discharge permit. All workers are cross-trained to ensure seven-day coverage for these activities. In addition to laboratory duties, plant employees perform the following tasks:

1. inspect pumps and tanks;
2. service and lubricate motors and pumps;
3. complete maintenance and routine repairs on all equipment; and
4. monitor sludge de-watering and the sludge pasteurization process.

The hours of operation are 7 a.m. to 3:30 p.m., Monday through Friday. One employee is required to work in the laboratory on Saturday and Sunday from 7 a.m. to 12 noon to complete the mandatory permit tests. This weekend schedule amounts to 520 hours of overtime

compensation. The salaries and wages, including direct health benefits, for this operation are \$428,048. This includes \$22,149 in overtime expense, due mainly in part to the mandatory weekend laboratory-testing requirement.

### **Recommendations:**

**The team recognizes the requirement for weekend testing for permit compliance. However, the team recommends that the authority negotiate a flexible work schedule that includes Saturday and Sunday as part of the regular workweek for certain employees. This will increase plant-monitoring capabilities and enable the completion of routine testing and inspections without employee overtime expense and expand the plant coverage to seven days with full-time coverage.**

**Potential Cost Savings: \$13,550**

**If the authority is unable to negotiate a flexible workweek through the collective bargaining process, it is recommended the authority consider hiring part-time employees to provide coverage on weekends.**

### **Collection and Distribution Operations**

The collection and distribution operation is comprised of eight employees, including the supervisor of operations. Two employees are assigned to the distribution (water) component and six employees are assigned to the collection (sewer) operation. The work hours are 7 a.m. to 3:30 p.m., Monday-Friday. The 1999 salary wages and direct benefits expense of this division were \$312,717, including \$36,499 in overtime pay.

The water utility employees have a daily routine of activities in conjunction with the monitoring and testing of the distribution system and the collection system. The morning weekday schedule includes the inspection of the five water wells. The wells are checked for water usage, run times, chlorine residuals and system malfunctions. Daily logbooks are maintained at each well.

Additionally, the three large collection system pump stations are inspected. The pump hours are logged, the dehumidifiers are emptied, and the wet well bar screens are cleaned. The afternoon schedule, as time permits, enables the crew to complete water line projects, water meters installations, and repair water leaks. Additional functions include water quarterly meter reading and assisting with utility mark-outs. The 1999 salary, wages, and direct benefits costs of the employees assigned to this operation are \$102,085, including \$11,126 of overtime compensation.

Similarly, the sewer utility employees have a fixed schedule of activities. Two crews of two employees inspect 22 pumping stations on Mondays, Wednesdays, and Fridays. The pump hours are logged, dehumidifiers emptied, wet well bar screens are cleaned, and the stations checked for malfunctions. The afternoon hours are dedicated to cleaning plugged sewer lines, installing sewer laterals, assisting with sewer and water leaks, and providing utility mark-outs. Tuesdays and Thursdays are reserved for utility construction projects, overall system maintenance, and, when needed, equipment repair and maintenance. The crew also assists with reading water meters.

As mandated by federal and state regulations, all five wells and 25 pump stations are inspected seven days a week. On a rotating two-week schedule, the employees work consecutive Saturday and Sunday weekend shifts to complete the inspections. The work hours for the weekends are 7 a.m. to 12 noon each day of inspection activity. The weekend schedule amounts to 520 hours of overtime compensation.

### **Recommendations:**

**The team recommends that the authority negotiate a flexible work schedule that includes Saturday and Sunday as part of the regular workweek for the selected employees. The ability of management to establish the workweek schedule will eliminate the overtime pay for this mandated testing and provides full-time weekend coverage for the distribution and collection systems.**

**If the authority is unable to negotiate this provision, it is recommended that the authority consider hiring part-time employees to perform these functions at straight time pay.**

**Potential Cost Savings: \$13,550**

Utility mark-outs and servicing plugged sewer lines are a major part of the daily work schedule of this operation. The authority is required to provide mark-outs for underground locations for sewer lines, sewer vents, water mains, valve boxes, and water curb boxes. These mark-outs must be completed within three working days. Listed below is a summary of activity for these two services.

	<b>1998</b>	<b>1999</b>	<b>2000 Jan-Sept.</b>
Utility Mark-Outs	942	1,121	907
Plugged Sewer Lines	187	288	139

### **Maintenance and Construction Projects**

The team is concerned with the division's level of staffing in relation to its workload. The present staffing level is sufficient to perform the daily mandated well and pump station inspections, however, the ability to complete construction and other non-routine tasks is very limited. The coordination of utility line installation with the township road program often conflicts with the division's other priorities. The scheduling of vehicle maintenance by staff employees, fire hydrant maintenance (flushing and painting), and water and sewer extension projects are often deferred or cancelled. These situations impede the daily management and the ability to plan ongoing maintenance and construction activities.

These issues concerning the ability to accomplish the various tasks with the present manpower and the daily permit inspection requirements were of great concern during interviews with the utility supervisor and the collection and distribution supervisor. Additionally, the age and condition of the equipment is of great concern in undertaking future construction projects.

## **Recommendations:**

The team recommends that the collection and distribution components be transferred to the township public works department through formal dissolution of the authority or an interlocal service agreement. To implement this consolidation, the team proposes the existing supervisor of the operations and five of the current employees retain their positions. Two positions would be eliminated. The concept of this restructuring of the tasks and functions of this operation is to enable the MUA maintenance and construction activities to become a component division of a larger and better-equipped public works program.

It is recommended that the daily inspections, ongoing reporting, system repairs, and maintenance efforts continue in the current manner, and, in fact, those activities become the priority of the division. Issues such as vehicle maintenance and repairs, large system malfunctions, and all construction activities should be coordinated and completed with the assistance of the public works department. The additional manpower and equipment resources will enable these projects and tasks to be completed in a much more efficient and timely manner. While there will be an initial cost savings by the elimination of two positions and the ability to complete projects expeditiously, the use and allocation public works employees and equipment should be charged to the utility.

**Cost Savings: \$100,375**

### **Vehicle Maintenance**

The authority operates and maintains a fleet of 13 vehicles, four loader/backhoes, and two pieces of equipment used for the asphalt recycling operation. Discussions with staff indicated a very cost-effective approach to capital acquisition, with the authority purchasing used vehicles and seeking to extend equipment service life through substantial repair rather than replacing of capital equipment. The average age of the fleet is over ten years old and is in fair condition. The vehicle list includes:

- 1-SUV;
- 1-pickup truck;
- 2-dump trucks;
- 2-tractor dump trailers;
- 3-utility body truck;
- 2-box utility trucks;
- 1-flat bed truck; and
- 1-sewer rodder.

Regular vehicle maintenance and most repair work is completed in-house by two collection and distribution employees. While one employee has the job title of mechanic and the other is an equipment operator, the repairs and servicing of equipment is often completed in a reactive manner as other priorities claim considerable amounts of their time.

The garage area is inadequate. The space available for performing the repair work is minimal, while the garage contains two bays; usually only one is accessible. The other bay is used as a storage area for miscellaneous parts, supplies, and vehicles. Further, there is no vehicle lift available or other equipment needed to perform various repairs.

Major repair work on the larger pieces of heavy equipment is outsourced. There is no work order system in place to document vehicle repairs or mechanics' time on the repairs. Additionally, there is no daily driver pre/post vehicle inspection form maintained to assist in the preventative maintenance servicing of equipment. During the review, the team was unable to determine the amount of time spent on vehicle repairs. Vehicle and equipment parts are purchased as needed. Parts inventory is non-existent and oil is purchased by the case in quart containers rather than larger bulk quantities. Reports documenting vehicle repairs or maintenance are prepared from parts invoices. The utility supervisor maintains these records. Over the last three years, the authority paid \$30,000 - \$40,000 annually on parts and outsourced repairs and maintenance.

### **Vehicle Equivalents**

The vehicle equivalents (VE) formula is a method to determine the staffing level needed to maintain the equipment. It was developed by the US Air Force and is recognized by various fleet maintenance-consulting firms as one of the best guidelines for analyzing staffing levels. This method determines the average number maintenance and repair hours a vehicle requires and converts those hours into VE. For example, a standard passenger car or sport utility vehicle (SUV) requires approximately 17.5 hours of work per year. In contrast, a three-yard wheel loader may require 70 hours per year, which would be four times the work of the SUV or an equivalent of four VE.

The VE ratio is determined by dividing the required hours to maintain a vehicle fleet by the number of annual available mechanic hours. A full-time mechanic has approximately 1,750 hours available annually. This is determined by deducting the number of paid leave hours from a standard 2,080-hour year. The available hours are divided by the maintenance requirements for one passenger vehicle to determine the VE ratio. The industry standard is a ratio of approximately 100 VE per mechanic for an efficient maintenance operation.

Based on the composition of the authority's fleet, the team calculates that the authority has a VE of 46 or a yearly requirement of 805 maintenance hours. Using these calculations, the staffing requirements would be 0.46 full-time employees (FTE).

### **Recommendations:**

**Our review of this operation found that while the equipment was being maintained and repaired, there was a general lack of information regarding vehicle history, work order records, man-hour or labor documentation, and preventative maintenance/driver procedures. The overall accountability of the vehicle/ equipment operation is inadequate. Additionally, the facility used for the repairs is deficient due to space and general safety issues. Furthermore, there is no vehicle lift available for easy access to the underbody of vehicles.**



The team recommends that the authority negotiate an interlocal service agreement with the township for vehicle maintenance and repairs. Additionally, a preventative maintenance program, complete with daily vehicle operational standards, driver inspection forms, and vehicle history documents, should be included in this agreement. The review of the township's vehicle maintenance operation indicates that, while some internal management practices need improvement, the facility, equipment, and record keeping systems are available to better complete maintenance tasks.

The analysis of the work force of the township indicates that sufficient VE staffing capacity presently exists in the township maintenance staff to handle the additional workload. The interlocal service agreement should include provisions incorporating a work order system that enables the township to receive adequate reimbursement for the work performed and the authority to receive adequate documentation as to what work was performed on its vehicles. Another direct benefit will be the establishment of a vehicle repair history that includes a procedure for tracking parts and labor costs.

Additionally, this will enable the collection and distribution operation to realize the additional staffing hours of personnel previously involved in the vehicle repair program. This will allow more timely completion of utility line installations and more resources for utility maintenance projects.

**Productivity Enhancement: \$20,000**

#### **Attendance**

The team reviewed the sick leave usage of 22 full-time MUA staff from 1997 through 1999. Two supervisory employees, with perfect attendance during the review period, and three part-time employees were excluded. The employees receive 15 sick leave days per year and may carry over unused days.

	<b>1997</b>	<b>1998</b>	<b>1999</b>
Sick Leave Days Used	258	238	264.5
Average Days per Employee	11.73	10.82	12.03

In analyzing the sick leave usage, LGBR uses the benchmark of 6.5 leave days per employee per year in operations similar to the MUA.

#### **Recommendation:**

The team believes sick leave usage is significant enough to warrant the board and management to closely monitor its use and develop policies to limit abuse. To achieve these aims, the team recommends that the authority require proof of illness after three consecutive or six cumulative days of sick leave.

In evaluating the cost of excessive use of sick leave using the benchmark of 6.5 days per year, the MUA would realize, using the 1999 statistics, a productivity gain of 121.66 workdays, or a productivity enhancement of \$16,877.

**Potential Productivity Enhancement: \$16,877**

### **Soil Additives**

In an effort to reduce the cost of sludge disposal, the authority has combined its sludge material with other nutrients to create a soil enhancer. During the review, the authority began marketing this product to the public for use in landscaping. The team's observations indicated very positive public response to the program with considerable inquiries being made to customers requesting the product.

**The authority is commended for taking the initiative in developing a financially feasible alternative to the costly disposal of this material.**

## **CONSOLIDATION OF SERVICES**

In reviewing the township and the authority, the team noted the duplication of administrative and operational functions by both entities. Many of our recommendations involve transferring functions from the authority to the township through an interlocal service agreement. The dissolution of the authority, however, would facilitate the implementation of these recommendations by providing consolidated management over all utility functions. Dissolution would also result in additional savings in professional services and other costs associated with maintaining a separate governing entity. The team has reviewed municipal utility operations in other communities and generally found very efficient utilization of field and administrative personnel.

The township may pass an ordinance to dissolve the authority in accordance with the provisions of N.J.S. 40A:5A-20. The township council would assume all the powers of the board of commissioners and daily management of the utility would be the responsibility of the township manager. The governing body would determine the utility budget, service fees and capital improvements.

Previously, the financial advantages of dissolving utility authorities were sometimes offset by the requirement of the municipality to refinance the outstanding debt of the utility. In some cases, this issuance would result in higher debt service costs as the municipality had to offer a higher interest rate to attract investors. In 2001, this statute was amended to allow municipalities to assume the utility's existing debt rather than going through the expense of refinancing.

### **Recommendations:**

**It is recommended that the township and authority review the recommendations contained in this report and determine whether dissolution or an interlocal service agreement is the most appropriate means of implementation. In making this decision, the municipal attorney and auditor should play a prominent role in the consultations.**

### **III. TOWNSHIP COLLECTIVE BARGAINING ISSUES**

An area that frequently presents significant opportunities for savings is negotiated contracts. While they represent opportunities for savings, the savings and contract improvements are most likely to occur incrementally, through a well-conceived process of redeveloping compensation packages to be equitable and comprehensive. For this reason, we present those issues subject to collective bargaining agreements separately in this section.

The terms and conditions of employment for most township employees are governed by collective bargaining agreements. At the time of the review, the township's five collective bargaining agreements represented over 90% of the township's full-time workforce. The agreements covered a wide range of personnel matters, including salary, paid leave, and work hours.

The team reviewed the township's collective bargaining agreements and compared the benefit levels to comparable public sector employee groups at the state and local level. The team also reviewed the agreements to determine if any contract provisions intrude on management rights to direct the activities of the workforce in a cost-effective manner.

The following section discusses provisions of the collective bargaining agreements that affect the cost of service delivery for the township. Because of its contractual relationship with collective bargaining units, the township cannot unilaterally implement the recommendations listed below and must instead negotiate any changes. Additionally, changes in contracts often require concessions by management elsewhere in the contract to reach agreement.

#### **Paid Leave**

The amount of paid leave is a key determinant in calculating staffing requirements in relation to workload. Staffing requirements for standard activities, such as police patrol functions and solid waste collection, are calculated by determining the yearly hours required to perform a function and dividing by the number of hours an average employee is available to perform those services. The annual availability of employees is a factor of the standard work year less the amount of scheduled and unscheduled leave.

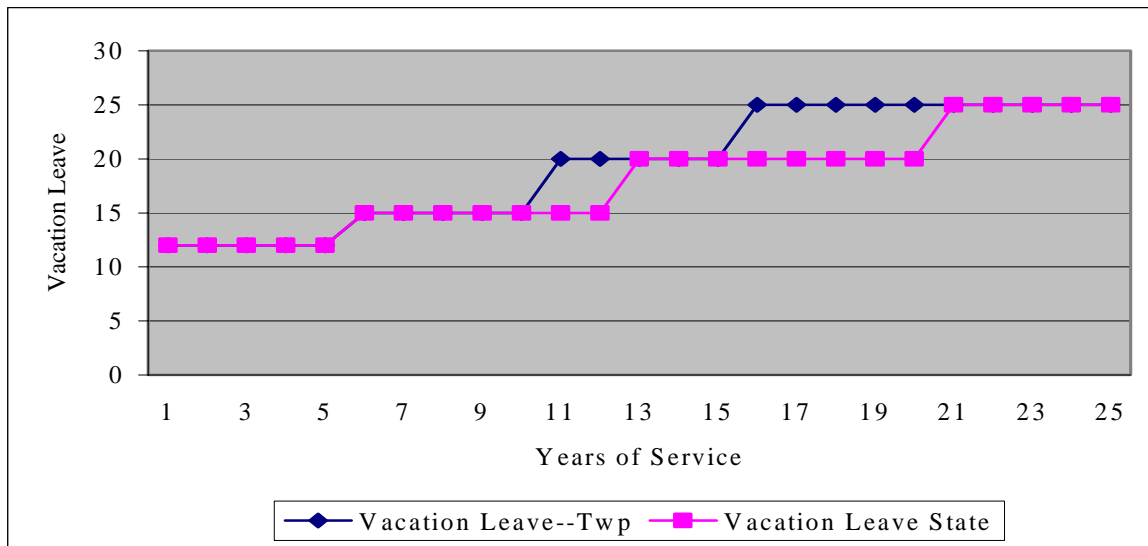
The team's analysis of contractual vacation, sick, and other leave found that these benefits were rather generous. Leave in excess of general benchmarks represents a loss of value of labor that would in otherwise be available to an employer. Discussions with employees found a perception that the leave allocations were the result of other salary concessions. However, the team's review of the township's total financial package of salary and direct benefits to be very comparable to similar bargaining units in Cape May County.

#### **Vacation Leave**

The team found the vacation leave schedules in the collective bargaining agreements to be rather generous. The agreements allocate leave based upon the employee's accumulated years of

service. By the 15<sup>th</sup> year of service to the township, employees receive 25 vacation days or five working weeks. By contrast, the civil service regulations for classified state employees provide 20 vacation days for employees with 15 years of service.

The table below compares the difference in vacation leave allocations for township employees and state civil service employees:



The team performed an analysis to determine the accumulated costs of this expanded benefit for the township's 165 full-time employees over the course of a typical 25-year career. Given the current employment levels, the township would lose an aggregate 46,200 hours of labor by having more vacation days than the state plan.

### Recommendations:

**It is recommended that the township renegotiate its vacation leave provisions to more closely align itself to the state benchmark. By adopting the state leave plan, the township would realize a significant productivity enhancement through greater use of its full-time workforce. It is difficult to quantify the productivity enhancement of this recommendation due to the numerous costs involved in reassignment of employees to cover vacancies and overtime costs to cover staffing shortages.**

### Personnel Days

In addition to vacation leave, township employees receive personnel days. Civilian employees receive four personal days consisting of three regular days and one day taken on the employee's birthday. Police employees receive six personal days. The team's reviews of collective bargaining units have generally found an average three personal days per year. The team calculates the value of these personal days above the benchmark of three days to be \$28,084.

**Recommendation:**

**It is recommended that the township reduce the number of personal days from its present levels to three.**

**Potential Productivity Enhancement: \$28,084**

**Sick Leave**

Civilian employees receive an annual allotment of 15 sick days and are allowed to accumulate their unused sick leave balance without limit. Police employees received 18 days of sick leave, however, at the time of the review, the township and the police collective bargaining unit reached a preliminary agreement to reduce the allotment to 16 days. The township is to be commended for reducing this benefit.

The team's review of sick leave usage demonstrated considerable variation between departments and individuals. Generally, contract provisions require public works employees to provide proof of illness for five consecutive or 10 cumulative days. Pursuant to the collective bargaining agreement, police officers provide proof of medical certification for absences in excess of three consecutive days with no cumulative requirement. Discussion of actual loss time is detailed in the sections covering individual departments.

**Recommendation:**

**It is recommended that the township implement more stringent proof-of-illness provisions in its collective bargaining agreements. The team recommends that the township require written medical certification for three consecutive days and six cumulative days.**

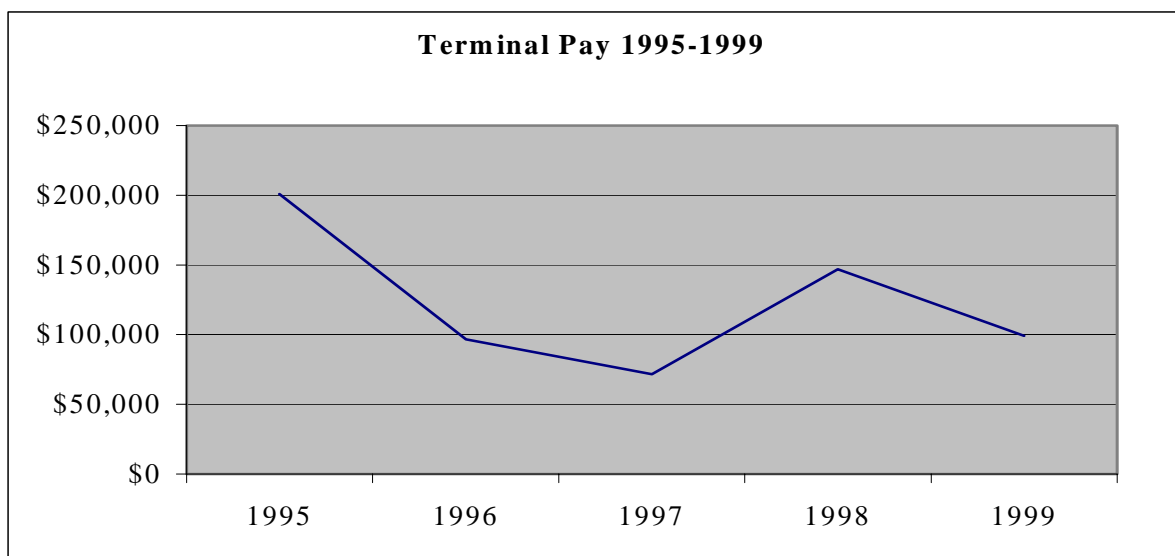
**The township should consider exercising greater oversight through additional requirements for written proof of illness. The team has reviewed contract provisions in other municipalities that require proof of illness for sick leave used in conjunction with a holiday or weekend. Additionally, confinement requirements allow management to make phone checks to insure the employee is present at home or the physician's office. These contract provisions, along with strong management oversight, have proven effective in reducing sick leave usage in many communities.**

**Terminal Leave**

The township collective bargaining agreements provide payments for unused sick leave upon retirement. Civilian employees hired before January 1, 1982 receive payment for a maximum of 180 days at 100% of salary upon retirement after 25 years of service. For hiring dates after January 1, 1982, civilian employees are compensated for a maximum of 100 sick days at 100% of salary upon retirement after 25 years of service. Employees resigning in good standing after 10 years of service receive 100 days of sick leave at 50% salary. At retirement, police employees are paid for 180 days of accumulated sick leave at 100% pay.

The township instituted a sick leave buyback program to offset the future value costs of sick leave retirement payments. Civilian employees using five days or less of sick leave in a calendar year may sell back five days of their unused portion to the township.

The team's review of financial data found considerable changes in funding for sick leave payments at retirement. Numerous variables, such as the number of employees retiring, their salary levels, and respective leave balances determine each year's terminal leave payments. From 1995-1999, terminal leave payments ranged from \$71,663 to \$200,838. In 2000, the township appropriated \$58,500 for this purpose. In analyzing the financial impact of these payments, it should be noted that a cent on the tax rate amounted to \$134,525 in 1999. The table below illustrates the township's terminal leave payments over the past five years:



The considerable variation in the number of employees hired each year bears important financial consequences in the future. A review of employee hiring dates indicates grossly disproportionate financial effects of future terminal leave payments. Twenty-one employees hired in 1994 are approximately 13% of the township's present workforce. Even if these employees retain only one-third of their sick leave allocations, the township could pay approximately nine years of salary (not including other accrued leave such as vacation and compensation time) in the year 2019 for terminal leave alone.

### **Recommendations:**

**It is recommended that the township negotiate a dollar cap on the amount of terminal payments as provided in the collective bargaining agreements. The State of New Jersey has a \$15,000 cap on the amount paid out for accumulated sick leave. The team believes that even with the present sick leave purchase plan, future payouts could bring significant financial hardship to the township. The average yearly savings realized by implementing a \$15,000 sick leave payment cap would generally range from \$50,000 to \$100,000 depending upon the number of employees retiring each year. As indicated in the narrative above, the considerable variation in the hiring dates of township employees could result in significant expenditures in retirement payments, resulting in large tax increases.**

**Potential Cost Savings: \$50,000 - \$100,000**

**It is further recommended that the township renegotiate the provision providing 50% reimbursement of sick leave for employees resigning. This is a contract provision that is not often seen in other collective bargaining agreements in the state.**

### **Longevity**

In addition to base pay, township employees represented by collective bargaining units receive longevity pay. The longevity payments are computed as a percentage of base salary according to the employee's years of service. The township recently negotiated a provision to cap the longevity payments to \$30,000 in annual income. The following table illustrates the township's longevity plan:

5-10 Years	2%
10-15 Years	4%
15-20 Years	6%
20-25 Years	8%
25+ Years	10%

### **Recommendation:**

**It is recommended that the township negotiate to eliminate longevity pay in its collective bargaining agreements. If complete elimination is unattainable through the collective bargaining process, it is recommended that the township negotiate to eliminate longevity payments for newly hired employees. Although the cost reductions are not immediate, the township will nevertheless realize long term savings. The township should incorporate performance appraisals into its system of compensation.**

#### **IV. SHARED SERVICES**

Tremendous potential for cost savings and operational efficiencies exists through the implementation of shared, cooperative services between local government entities. In every review, Local Government Budget Review strives to identify and quantify the existing and potential efficiencies available through the collaborative efforts of local officials in service delivery, in an effort to highlight shared services already in place and opportunities for their implementation.

As part of our review, the team ordinarily evaluates the possibility of sharing services between communities and other government agencies. These interlocal agreements could realize long term saving while eliminating duplicate services. Sharing resources also offer the potential to provide higher quality services than when one community acts alone.

To determine the viability of consolidating services, grant monies are available from the New Jersey Department of Community Affairs (DCA) to perform feasibility studies. In addition, there are funding programs available to support a shared service program from DCA called Regional Efficiency Aid Program (REAP) and Regional Efficiency Development Incentive Act (REDI).

The REAP is a new type of state aid program which combines incentives to reduce the cost of government with true property tax relief to taxpayers. REAP involves two new concepts. The first is that if a municipality or school district wants additional state aid, and if it regionalizes services, the state will provide permanent aid. Secondly, to ensure that the aid is actually benefiting taxpayers, the aid will be provided, not as a budget offset, but as a property tax credit for residential property owners. REAP can also provide an incentive for complete or functional dissolution of governments themselves, in exchange for state aid to the taxpayers.

The Division of Local Government Services (DLGS) proposes a larger incentive program that would complement REAP by providing local units of government across New Jersey with critically needed financial support to initiate the process of regionalization. This program is the REDI grant program.

The REDI program is a new state initiative designed to help local officials explore and implement new shared service opportunities. REDI offers state grants and loans to help county, municipal, and school officials study, develop, and implement new-shared service programs. The program's focus is to use the efficiencies and cost reductions possible through joint action to help reduce property taxes by lowering the costs of services. REDI has \$10 million available to identify, prepare, and put into place new interlocal ventures.

Grants are awarded to assist local units with planning and developing new or expanded-shared services through feasibility studies. REDI grants are awarded on the following basis: the state will pay up to the first \$15,000 of study costs; for costs above \$15,000, the state will pay 90% of



the costs that exceed \$15,000 and a 10% local cash match will be required for the balance. Where a local cash match is required, the local funds must be expended first, before grant monies may be used.

Grants and/or loans are made to assist local units with the start-up, transition, and implementation costs associated with new or expanded-shared services or the consolidation of local units. Assistance is based on the total transition or implementation costs of the project. The first \$100,000 of implementation assistance would be made by the REDI grant, and all assistance above that amount would be in the form of loans made subject to specified loan requirements.

### **Video Conferencing System**

The New Jersey Judiciary has one of the largest videoconferencing networks for court systems in the country. With numerous remote sites located throughout the state, the state's courts can use videoconferencing to facilitate numerous court activities such as testimony and arraignments. The new technology promises to increase the efficiency of court proceedings with less time and money spent on traveling and transportation.

The township should consider exploring the feasibility of a video conferencing system allowing for video arraignments of criminal defendants being held at the Cape May County Jail. An arraignment hearing in municipal court is required shortly after one is arrested for a non-indictable crime. The hearing is brief, at which time the defendant is informed by the court of the charges the police have asserted. The defendant is asked for a plea. When a defendant pleads not guilty, a trial date is set. If the defendant pleads guilty, the arraignment hearing then can become a sentencing hearing at which time the defendant can make any explanations and the judge may impose penalties, fully disposing of the matter.

In order to conduct arraignments in person, the prisoner has to be transported by the Cape May County Sheriff's Department from Cape May Court House to the Lower Township Municipal Court, and kept secure while awaiting the hearing. This entails the need for one or two officers for several hours, as well as personnel for processing prisoners in and out of the jail, arranging meals, and handling discharges.

We believe the township has an opportunity to offer an interlocal service to surrounding municipalities that have not installed the video conferencing equipment. The cost of these systems has decreased significantly in recent years. The township would benefit by generating income to help defray the cost of the equipment. The judge in Lower Township, who also sits in Middle Township, feels that a close circuit television system should be utilized to improve efficiencies.

### **Recommendation:**

**The team recommends that a shared service agreement between neighboring communities utilizing a Close Circuit Television (CCTV) system should be explored. The township could possibly lease the courtroom with the video arraignment capability to other area municipalities. We encourage the township to seek opportunities to use this equipment to its greatest potential.**

### **Public Works**

The team's review of the public works operation indicates that informal cooperation occurs between the township and the municipal utility authority. During the team's review, the township and the authority cooperated on road construction and the sharing of equipment. The team commends these arrangements as they often provide a more cost-effective alternative than private contracting or the purchase of a major item of equipment.

Local Government Budget Review's study of Somerset County communities found a more formal shared services process. Through an interlocal service agreement, each participating municipality and the county provided a schedule of hourly prices for various categories of equipment with a trained operator. If the category of equipment is available on the required date, the equipment with an operator is provided to the requesting community. This agreement provides an additional option to managers to cost-effectively perform a given service. The lending agency benefits by creating a potential revenue center for capital equipment that would otherwise sit idle.

### **Recommendation:**

**It is recommended the borough explore the feasibility of a similar interlocal services agreement with area local governments. Municipalities, school districts, and utility authorities would be given greater flexibility by providing another alternative to purchasing a major piece of equipment or contracting with a vendor for a given function.**

### **Police**

Special weapons and tactics (SWAT) teams are tactical units used to respond to emergency situations that are beyond the capabilities of a patrol force. These teams require extensive training and equipment to provide this coverage. Many smaller communities cannot afford these teams and instead rely on the support from larger law enforcement agencies.

Discussions with area law enforcement agencies indicate that several SWAT teams service the Cape May peninsula. The team reviewed options regarding the joint operations in this field. Officials expressed concerns regarding the relative isolation and unique geography of the area as an impediment to shared services. Additionally, heavy seasonal traffic may restrict the ability of a regional team to respond to emergency events.

The team notes that the township is contiguous to a similar mainland community with a SWAT team. At the time of the review, the police administration entered into discussions with the neighboring agency regarding joint training opportunities. The team commends these efforts and the future possibilities for increasing cooperation in law enforcement activities.

**Recommendation:**

**The team recommends that this township and the Township of Middle explore the feasibility of forming a single SWAT team from the two agencies. The township should also seek REDI funding for planning and implementation costs.**

## **LOCAL GOVERNMENT BUDGET REVIEW**

Peter R. Lawrance, Acting State Treasurer

Robert J. Mahon, Director, Local Government Budget Review

JoAnne M. Palmer, Deputy Director, Local Government Budget Review

Anthony Cancro, Acting Director, DCA, Division of Local Government Services

### Lower Township Review Team

Tom Shanahan, Team Leader

Local Government Budget Review

Dale Finch, Local Government Budget Review

Robert Harding, Local Government Budget Review

Lisa Kaminski, Local Government Budget Review

Website address: [www.state.nj.us/lgbr](http://www.state.nj.us/lgbr)

## Recommended Table of Organization Police Command Group

